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MONTANA NEWS

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JUN 26 1991

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Volume X, Number 1

March 1991

GREETINGS FROM BILL LANNAN

Happy Springtime! It is always a relief when the sun is shining on the way to work. I for one get a little bored with that dark wintertime drive to work and also returning home after work in the dark. Suppose I ought to retire and move to Australia during the winter.

The student loan program has been busy the past three months expending a lot of energy finishing up the plans for the new facility. Last minute considerations always come up. The bonds were sold to fund the construction last month, the construction contract was awarded and the contractor is on site moving dirt and digging the foundation. We think it will be a handsome building housing the Commissioner's staff including Montana Guaranteed Student Loan Program (MGSLP) and Montana Higher Education Student Assistance Corporation (MHESAC). You might guess everyone is anxious to get into it. After all the planning we want it to be an instant building, just add water and poof, a new building!

The legislature has been in town for a while and we don't expect them to leave much before the last week of the month. There has not been much activity in the session that affects the student loans. The House sent the appropriations bill to the Senate last week and our operating budget is included in that bill.

I want to alert you to announcements that you will see later in the newsletter. MHESAC is including a few articles that will keep lenders apprised of activities in the secondary market. Also note the announcement that MGSLP and MHESAC are sponsoring the 2nd Summer Conference in July. Last summer's successful conference, in spite of the rain, encouraged us to sponsor another one. I think we have lined up some interesting speakers and topics. Please mark your calendars and keep July 11 and 12 open.

PLEASE RETURN

STAFF UPDATE

Along with the new year came two new employees to the MGSLP.

Leslie Wallem and Eric Johnson both join the area of Pre-claims as Intervention Specialists.

Leslie is originally from Helena and has spent most of her life here. Leslie previously worked for Checkrite of Helena and looks forward to her new position with MGSLP. Family outings with her husband and two children and of course shopping fills Leslie's free time.

Eric comes to MGSLP from the Department of Revenue and claims to be a Helena native but is actually a transplant from Glasgow. Eric enjoys working with the public and likes the challenge of his position. A variety of outdoor activities and spending time with his family keep Eric going.

Welcome to the Montana Guaranteed Student Loan Program.

EXIT INTERVIEW MATERIAL

As a new service the MGSLP has been mailing borrower statement of accounts to the schools to be used as part of the exit interview material. The statement gives each borrower a list of the loans guaranteed through the Montana guarantee agency, the anticipated graduation date, the estimated date repayment is to begin and the name(s) of respective lenders. The statement also gives the borrower a cumulative total, the lenders address and phone number so borrowers can contact the lender regarding repayment. These statements are sent to the schools on a quarterly basis for borrowers whom our data base shows are due to graduate the next quarter.

LENDERS!!!!

Just a reminder: If you report loan cancellations on your Fee Billing statement, PLEASE indicate the loan disbursement date(s) you are cancelling. Also, if you would like to call to reduce or cancel a disbursement please contact Patty Davis or Linda Fisher at 444-6594.

STUDENT LOAN REFUNDS

It has been brought to the guarantee agency's attention that not all educational institutions apply refunds to student loans first when a refund is calculated. MGS LP realizes that each educational institution has the right and authority to set its own refund policy. Concerns that MGS LP would like you to consider are the affect on the student, his/her ability to transfer to another educational institution and the student's indebtedness when a refund is applied toward the Pell Grant or other campus based aid before being applied toward the student's loan(s). In addition, the school's cohort default rate may be affected by the campus based decision. By applying a refund first to the student's loan(s) you may help prevent a default. If you have comments regarding this matter please contact Mary Slama at 444-6594.

NEW FLAG LENDER

Effective April 1, 1991, First Liberty Credit Union in Great Falls has become a FLAG lender with the MGS LP. Educational institutions will need to send completed applications directly to the MGS LP if the borrower has indicated First Liberty as the lender. First Liberty's identification number is 823888.

SUMMER CONFERENCE

Its that time again! The 2nd annual MGS LP/MHESAC summer conference is in the works. The conference will be here in Helena starting July 11 and ending at noon on July 12th. This year the agenda will be structured to be beneficial to both the novice and expert from the schools and lenders. You should be receiving more information on this in the mail. We hope you can attend. If you have questions or have not received a registration form, please call Tere Bledsoe at 444-6594.

JOHN GYLES EDUCATION FUND

A Canadian-American benefactor has made grant money available to American students through the John Gyles Education Fund. Yearly awards of up to \$5000 in non-repayable grants will be given to chosen students who meet the following requirements:

1. Citizen of Canada or the United States.
2. Enrolled or accepted at an approved post-secondary institutions.
3. Career plans that benefit from education.
4. Acceptable academic performance (GPA over 2.0).

For more information or application forms, write the John Gyles Education Fund, P.O. Box 4808, Fredericton, New Brunswick, Canada E3B5G4, (509) 459-7460.

LETTER OF INTENT

Before a lender may grant a student a deferment over the summer break, the student must submit a letter of intent to the lender. MGSLP has a form lenders may use if they like but it is not required. However, lenders must have something in their file from borrowers that states the borrower intends to enroll in the fall on a full time or at least half-time basis. If you would like to order the aforementioned form, please contact Tere Bledsoe at 444-6594.

ITEMS FROM MHESAC

Message from the Executive Director

This is the inaugural "Items from MHESAC" in the MGSLP newsletter and we wish to express our gratitude to Bill, Arlene and their staff for the opportunity to become a regular part of the newsletter. We hope you find our contribution informative and worthwhile. If you have any subjects you would like to have us address in future issues, please contact Duane Gunderson at 444-6597.

For those of you who are not familiar with MHESAC (the Montana Higher Education Student Assistance Corporation), we are the secondary market in Montana for student loans. Since the completion of our first financing in 1983, we have provided in excess of \$213,000,000 of funds to the MGSLP by acquiring Montana Guaranteed Student Loans from in excess of 150 Montana lenders. We have been, and continue to be, available to serve Montana lenders in accomplishing their student loan portfolio management goals.

MHESAC presently is involved in three major projects:

1. The assumption of servicing responsibilities for our loan portfolio in Montana. MHESAC has now successfully assumed responsibility for the collection activity, skip tracing activity, claim processing activity, note examination and conversion process for its loan portfolio. We now employ over 40 people and look forward to the assumption of customer service and control responsibilities over the next eighteen months.
2. The financing for a new building to house our program and the Montana Guaranteed Student Loan Program has been completed. Earth is presently being moved and construction completion is anticipated by June 30, 1992.
3. The planning has begun for MHESAC's next loan acquisition financing. We are hopeful of raising up to \$130 million of additional acquisition funds and expect to complete this financing this fall.

In closing, I would like to reiterate that MHESAC is here to serve the lenders and schools participating in the Montana Guaranteed Student Loan Program. Please feel free to contact us at any time with your comments and questions. We welcome the opportunity to interact with you.

You Can Help Curb Defaults

Default Prevention has become one of the battle cries of the Department of Education and we at MHESAC are attempting to do our part. One item we have been concerned about is students receiving student loans with more than one lender. This creates immense confusion for the student. The student has two or more lenders to be dealing with and even if MHESAC purchases all the student loans, we must service them in separate accounts because of the multiple originating lenders.

You as originating lenders can help! We feel that continuing contact with the borrower in the form of letters to them in March or April would reap positive results. This letter should state that you, as their original originating lenders are desirous of satisfying the student's on-going student loan lending needs and that you recommend the student continue getting their loans from you. It would be beneficial to point out the problems the student may encounter should they use multiple lenders. To go even further, we think it would be beneficial to follow up with another similar letter in June or July. You must keep reminding the student that you are their lender and that you want to continue as their lender.

We feel this communication will have a positive effect on defaults. We realize this is not a solution in itself, but it will be a start of a positive program of default prevention in Montana.

"Maximizing Yields on Your Student Loan Portfolio While Supporting the Montana Cause"

Recently an article appeared in the "Roundup-Montana Credit Union Network News" announcing a program for Montana credit unions called the Student Loan Network. This new program encourages Montana credit unions to participate in the student loan program by making student loans that are guaranteed by an agency outside of Montana and that are serviced outside of Montana. The purpose of this article is to remind all lenders and schools that the Montana Guaranteed Student Loan Program provides the same opportunities to participate in the student loan program as any other program with one major additional benefit. The entire program is Montana based.

Under the Montana Guaranteed Student Loan Program the following occurs:

1. Montana lenders make Montana Guaranteed Student Loans to any eligible Montana resident and any eligible non-resident student attending a Montana educational institution.
2. The Montana Guaranteed Student Loan applications are processed by the Montana Guaranteed Student Loan Program (a state agency based in Montana) and the guarantee on the loan is issued by the Montana Guaranteed Student Loan Program.

3. The lender is given the option of disbursing the loan themselves (either internally or through a third-party lender) or utilizing the disbursement service offered by the MGSLLP.
4. The lender is given the option of servicing the loans themselves or contracting with a third-party student loan servicer. (In fact, a third-party student loan servicer is now based in Montana).
5. The Montana Guaranteed Student Loan Program provides demographic and status change information to the lender as it is received to assist the lender with management of the loan during its interim status.
6. MHESAC (a non-profit corporation based in Montana) is available as a secondary market for Montana lenders who wish to dispose of their loans. MHESAC acquires any Montana Guaranteed Student Loan which carries a valid guarantee at any time in the life of the loan. Loans that are acquired by MHESAC are serviced in Montana. Most lenders who utilize MHESAC recognize that they can maximize the return on their investment in student loans by maintaining their investment in interim student loans (that period of up to 4 to 5 years while the student is in school and the cost of servicing is substantially less) and selling the loans as the student enters repayment (for which the cost of servicing is substantially higher).
7. MHESAC and the Montana Guaranteed Student Loan Program have staff available in Montana to answer questions from you and your borrowers, and to assist you in the management of your portfolio.

If you would like further information on the Montana Guaranteed Student Loan Program or have questions on how to most effectively manage your participation in the Montana Student Loan Program, please feel free to contact Duane Gunderson at MHESAC or Don Slovarp at the Montana Guaranteed Student Loan Program.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING MARCH 31, 1991

The following special allowance rates were computed pursuant to the statutory formula of section 438(b)(2) of the Higher Education Act of 1965, as amended:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
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A. GSLP and PLUS loans made prior to 10/1/81:

7%	2.750%*	0.68750%
9%	0.750%*	0.18750%

B. GSLP, PLUS, and SLS loans made on or after 10/1/81 for periods of enrollment beginning prior to 11/16/86:

7%	2.72%*	0.68000%
8%	1.72%*	0.43000%
9%	0.72%*	0.18000%
12%	.00%*	.00000%

C. 1. GSLP loans made for periods of enrollment beginning on or after 11/16/86; PLUS and SLS loans made for periods of enrollment beginning on or after 11/16/86 but prior to 7/1/87; consolidation loans made on/after 10/17/86:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
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7%	2.47%*	0.61750%
8%	1.47%*	0.36750%
9%	0.47%*	0.11750%
10%	0.00%*	0.00000%
11%	.00%*	0.00000%
12%	.00%*	.00000%

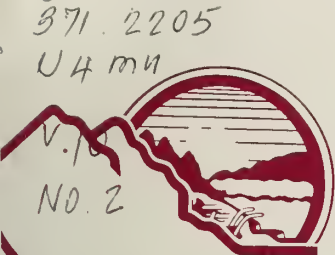
2. PLUS and SLS loans made for periods of enrollment beginning on/after 7/1/87 carry a variable rate. Fixed rate PLUS and SLS loans also may be refinanced on or after January 1, 1987 at a variable interest rate. The variable interest rate for the period July 1, 1990 through June 30, 1991 is 11.49%; therefore, variable-rate PLUS/SLS loans are not subject to special allowance payment during the period July 1, 1990 through June 30, 1991.

NOTE: The special allowance rates for loans made or purchased with tax-exempt funds are one-half the rates specified above, except as indicated by an asterisk (*). The annual rate for loans made or purchased with tax-exempt funds is not less than 2.5% (7% loans), 1.5% (8% loans), and .5% (9% loans).



GUARANTEED STUDENT LOAN PROGRAM

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Volume X, Number 2

June 1991

GREETINGS FROM BILL LANNAN

I have always thought that springtime in Montana is when the weather keeps you guessing, I'm beginning to think summer is going to be the same way. I still manage to fit in a few rounds of golf and hope that all of you are finding ways to enjoy your summer.

The 2nd annual MGSLP/MHESAC student loan conference is set to go here in Helena July 11th and 12th and we are expecting a successful turnout. The agenda is complete with information and training sessions for both the lenders and educational institutions including attendance by Commissioner Hutchinson, Sam Kipp-Executive Director of the California Student Aid Commission, Bob Fomer-Director of the Colorado Student Loan Program, John Merrett-President of the New Mexico Student Loan Guarantee Corporation, representation from the Department of Education and other distinguished representatives. Hopefully, Congressman Pat Williams from Montana can join us if his schedule permits. Along with the conference's serious side does come some fun. A wine and cheese social is scheduled for Wednesday night and Thursday night is dinner at the Great Divide ski chalet. I look forward to seeing everyone who attends.

EXIT COUNSELING

The Montana Guaranteed Student Loan Program and the Montana Higher Education Student Assistance Corporation now offers to do exit counseling for the schools that participate in the loan program. Representatives from both organizations just returned from the University of Montana and felt the three day sessions were successful. If you are interested or have questions, please contact Mary Slama at 444-6594.

LENDERS!!!!

Our office recently sent out a memo regarding pre-printed applications and apparently there has been some confusion. The memo states that MGSLP will no longer supply applications that have lender information pre-printed in the lender's section. This is the only information that will not be pre-printed, the guarantee agency information will still be printed on the application. If you have further questions, please contact Tere Bledsoe at 444-6594.

INTEREST RATE CHANGE

We have been informed that the variable rate on all SLS/PLUS loans will decrease as of July 1, 1991 to 9.34%. The previous rate was 11.49%. Interest at the new rate begins to accrue on July 1, 1991 and should be applied to all payments due after July 1, 1991. A disclosure must be sent to borrowers advising them of the new rate. Lenders have the option of either adjusting the borrower's monthly payments or the number of payments remaining on the borrower's outstanding debt. Lender's do not need to complete a new repayment schedule for the borrower.

NEW FLAG LENDERS

Effective immediately First Interstate Bank Montana-Kalispell, First National Bank-Libby, First United Bank-Sidney, and First Security Bank-Miles City are now FLAG lenders with the MGSLP. Educational institutions will need to send completed applications directly to the MGSLP if the borrower has indicated any of the above mentioned banks on the loan application.

PLUS LOAN DEFERMENTS

In the June 1991 USA Funds Operations Bulletin immediate deferments for PLUS/SLS loans was discussed. As a reminder to our lenders, MGSLP does not adopt this policy for PLUS loans. If a PLUS borrower checks yes to box 11 on the loan application, wishing to defer payments while the student is in school, the lender needs to send the borrower a deferment form that must be completed by the school verifying the student's enrollment and credit load.

SCHOOL REMINDER

Your help is needed in keeping a student's loan debt with the same lender. Many of the problems that result in loans going into default stem from the student having loans with more than one lender.

When students are applying for a second or subsequent loan, please advise them to use their previous lender for the additional loan(s). Often students won't be sure who their previous lender was as many lenders have similar names. If the student is unsure of the lender's name have them call our Customer Assistant at 800-537-7508 or check the lender information in the school's financial aid file. If you notice on the application that the borrower has previous loans but did not list the lender, give us a call. With your help we can assist the student in preventing future problems. We must all work together to reduce defaults.

STUDENT LOAN SUCCESSES

The Montana Guarantee Agency recently sent out a survey to 200 borrowers who borrowed funds from MGSLP in 1980 and the response was overwhelming. Most of the comments were the same: "Without my student loan I would have never been able to complete my education."

Many of us get caught up in the default publicity that is printed continuously in the newspapers. We forget about the good side of the student loan program. The Montana Guaranteed Student Loan Program has a net cumulative 93% success rate; in 1988 the National net success rate was 90.8%. When you think about the people who borrow money - many low income, first-time-college-bound in their families, no collateral, and little family support - I think that is amazing.

Something people need to remember is that default rates are often misleading. The Cohort Default rate is in terms of numbers of borrowers and has nothing to do with dollars involved. The Guarantee Agency fiscal year default rate is in terms of dollars and has nothing to do with the number of borrowers. The press and many other groups have a tendency to talk about the Cohort Default rate and the cumulative dollars in default as if they correspond to each other. This is very misleading. A national Cohort Default rate of 17% does not correspond to the dollars loaned out versus defaulted. In dollars, the default rate is smaller.

The average defaulter is a borrower who did not complete the first year of his/her program and was unable to find adequate employment to repay the funds borrowed. On the opposite side the success rate is the dollars spent and the results - or successes - those dollars generate. A recent article in the Wall Street Journal emphasizes the increased earning power of people who receive a post secondary education versus those who do not. The success stories are people who would not have been able to receive advanced training or a college degree without student loans and are now repaying their loans.

ITEMS FROM MHESAC

Message from the Executive Director

At last it appears that summer has finally arrived and with it several wonderful events occur:

- * vacation for those who have worked so hard since last summer;
- * warm evenings; and
- * the Montana Student Loan Workshop.

For those of you who haven't heard, the Montana Student Loan Workshop is scheduled for July 11 and 12, 1991 in Helena. The agenda is interesting and will be worthwhile. I encourage each and everyone of you to attend this event.

The Higher Education Act (which contains authorizing legislation for the Student Loan Program) is scheduled for reauthorization beginning this year. While final action is not expected until the fall of 1992, the process has begun for shaping the final bill. Hearings are presently being held across the nation by Congress and the authorizing committees are presently drafting proposed legislation. I urge each and everyone of you to contact your legislator (especially Congressman Williams as he serves on the committee which is drafting the House's Bill) and express your views on the Student Loan Program. Let them know the strengths and the weaknesses of the program from your perspective. Feel free to provide suggestions for ways of improvement. This is your opportunity for input as the entities which make the program work and your input is invaluable. I as well am very interested in your ideas and welcome discussions with all of you at any time.

Construction on our new facility continues (whenever daily thunderstorms do not interfere) and the schedule still looks good for a move next summer.

Well that is all the news for now. Enjoy your summer and I look forward to seeing all of you at the workshop.

ARE CONVENTIONAL STUDENT LOAN LENDERS ON THE WAY OUT?

The present administration is considering a plan that would have higher education institutions, not local lenders, offer student loans directly to students. This proposal is opposed by many education department officials and reportedly is being pushed by the White House and has the support of former Education Secretary L. Cavazos.

The plan arose from a former deputy undersecretary of education. It would eliminate the need for banks and guarantee agencies to guarantee and distribute stafford loans. The plan would leave those functions up to the colleges and universities.

The White House apparently supports the plan because it would help trim the cost and complexity of Stafford which has drawn fire in recent years for its high cost and high default rates. It would have colleges and universities, rather than banks, accept student loan applications and then the Department of Education would fund the loans directly.

The thought is that this would cut the need for paying interest and special allowance to the lenders, saving a significant amount of money while the students are in school.

Bankers vehemently oppose this proposal, citing that centralization has never worked as far as curbing defaults. Bankers feel it would only increase the complexity and turnaround time. Also it would seem to force the Department of Education to audit colleges and universities making student loans. The approach of the government being directly involved has proved to be unsuccessful during the past FISL days.

Whatever you as lenders feel about the subject should be related to your congressmen. Write and let them know whether you are for or against such a proposal.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING JUNE 30, 1991

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A. GSLP and PLUS loans made prior to 10/1/81:

7%	2.375%*	0.59375%
9%	0.375%*	0.09375%

B. GSLP, PLUS, and SLS loans made on or after 10/1/81 for periods of enrollment beginning prior to 11/16/86:

7%	2.26%*	0.565%
8%	1.26%*	0.315%
9%	0.26%*	0.065%
12%	.00%*	.000%

C. 1. GSLP loans made for periods of enrollment beginning on or after 11/16/86; PLUS and SLS loans made for periods of enrollment beginning on or after 11/16/86 but prior to 7/1/87; consolidation loans made on/after 10/17/86:

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7%	2.01%*	0.50250%
8%	1.301%*	0.25250%
9%	0.01%*	0.00250%
10%	0.00%*	0.00000%
11%	.00%*	0.00000%
12%	.00%*	.00000%

2. PLUS and SLS loans made for periods of enrollment beginning on/after 7/1/87 carry a variable rate. Fixed rate PLUS and SLS loans also may be refinanced on or after January 1, 1987 at a variable interest rate. The variable interest rate for the period July 1, 1991 through June 30, 1992 is 9.34%; therefore, variable-rate PLUS/SLS loans are not subject to special allowance payment during the period July 1, 1991 through June 30, 1992.

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Volume X, Number 3

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September 1991

GREETINGS FROM BILL LANNAN

Incredible, summer is all but over, and I am still wanting to celebrate the Fourth of July! Maybe it is because the office has been so busy with student loan issues that the distractions allowed summer to go by rapidly. Oh yes, I have considered age as another factor. Albert Einstein theorized that time was relative but I am not sure time is a function of age. I want to wish the campuses success in the coming months. If there is anything the Guaranteed Student Loan Program can do to assist, let us know.

There are a number of issues on the horizon we should all watch for and respond to seriously. I attended two conferences recently that emphasized these issues--reauthorization, the Direct Loan program, and the Middle Income Assistance Act. I want to express my concerns in the order mentioned.

Reauthorization

As the subcommittee marks up the reauthorization legislation, we should monitor:

- (1) Risk sharing on the parts of the lenders, schools and guarantee agencies.
- (2) Proprietary school oversight by organizations or agencies within each state to provide oversight and monitoring. Some would like to see stronger laws governing the oversight responsibility in order to protect and improve the integrity of the program. I agree with this concept.
- (3) Reduction in special allowance. As in the past there are some members of congress and congressional staffers who think the return to the lenders should be reduced from 3.25% to 3.0% over the 90 day T-Bill auction. If lenders cannot make a reasonable return on the loans they will opt to get out of the program.

There may be other issues that should be monitored. If you have any questions, feel free to contact MGSLLP. If you have strong opinions about any changes in the student loan program, contact your congressman.

Direct Loan Program

H.R. 2561 introduced by Congressman Andrews of New Jersey establishes a direct loan program. This program would replace the guaranteed student loan program by allowing the student to borrow directly from the federal government using the educational institution as an intermediary. The school would process the paper and disburse the funds. Proponents believe this program will save the federal government in excess of one billion dollars each year. However, the "jury" is still out on that issue. There is a huge cost to the federal government to "start up" a new program because there will be a need to run both programs simultaneously. Phasing out the existing program will take a number of years since a borrower has ten years to pay off a loan and repayment does not begin until after the borrower has ended their education. In some cases that has taken six or eight years. However, the most devastating thing that could happen is if this house resolution becomes law, it would not take effect until 1994. If the bill is passed and becomes law in early 1992, and all commercial lenders dropped out of the program, where would students borrow money for their education for the 1992-93 and 1993-94 academic years?

Middle Income Assistance Act

If you attended our summer conference, you heard Congressman Williams' presentation on the Middle Income Assistance Act included in H.R. 2561. I believe middle income families are finding it much more difficult to send their children to postsecondary institutions. If you recall, the GSL program was originally conceived as the middle income family's financial aid program. We all know that has ended. Whether the middle income families' financial aid program becomes a subsidized loan program or not remains to be seen, but funding it could be the real issue. I am sure there are some who think it could be funded if there was a savings in other programs, i.e., Direct Loan Program, reduction in special allowance, risk sharing, etc.

Here we are once more in rather interesting and precarious times. The legislation has a ways to go and I am not sure anyone knows exactly where it will end up. Keep the faith and stay tuned! I will try to keep you informed.

VOICE MAIL

MGSLP supervisors and administrators have recently acquired voice mail for their phone extension numbers. Voice mail will allow callers to leave a message for the MGSLP staff member they wish to speak with when the staff member is not available to answer the phone. We hope this will better meet the needs of all involved.

WELCOME

We have managed to squeeze some more employees into our office so let's take time to welcome them. First a farewell to **Bill Hunthausen** who worked in the Claims Unit, he left us in July for a position at Carroll College. We will miss him and wish him well. Joining us now in the Claims Unit is **Becky Shaw**. Becky is a native Montanan and a graduate of Carroll College. She previously worked as a legal assistant for Cannon & Sheehy Law Office. Becky states she is a supporter of Rails to Trails and also enjoys a variety of outdoor activities.

The Application Processing Unit is still continuing to grow and new to that unit are **Donna Waters** and **Donna Marks**. Donna Water is a recent graduate of Northern Montana College where she also worked in the Admissions office. Ceramics and sewing satisfy Donna's creative side when she is not busy with her family. Donna Marks is also new to the Application Unit; she previously worked in the student loan division at Bank of Montana in Helena. Playing league pool and enjoying outdoor activities occupy Donna's time. She is also busy planning for her wedding in May, congratulations!

MGSPLP extends a welcome and appreciation to our new temporary employees, **Synthia Munson** and **Virginia Christian**. Thank you for all you do.

LENDERS!!!!

All Reports for third quarter, September 30, 1991. Lenders, the guarantee needs you to mail a copy of Sections V and VI of your Interest and Special Allowance billing to the Helena office. You do not need to send Sections II through IV. We do need to have your lender ID number on the pages you submit. MGSPLP uses this information to analyze its portfolio. If you have any questions contact Don Slovarp or Arlene Hannawalt at 444-6594.

#1 CAUSE FOR CANCELLED GUARANTEES

The most common cause for cancelled guarantees is late conversion errors. In other words, the lending institution converts the borrower to repayment untimely. Remember, for Stafford loans, one of two conversion policies applies. Normal conversion occurs when the lending institution is notified of the borrower's out-of-school date during the grace period. Once notified, the lender must set the first payment due date within forty-five (45) days from the end of grace. Late notification conversion occurs when the lending institution is notified of the borrower's actual out-of-school date after the normal grace period. Once notified, the lender must send the repayment agreement within sixty-five (65) days and set the first payment due date within seventy-five (75) days from the notification date.

If you have further questions regarding conversion or due diligence contact the Claim Review Unit at (406) 444-6594.

LOAN CONSOLIDATION DISKETTES

A diskette and instruction booklet that explains loan consolidation is available to educational institutions. The diskette can be used by students to obtain information on how to consolidate educational loans. The student can use the software to determine which loans to consolidate, what the repayment schedule will probably look like, how much interest will accrue, etc. If your institution has an IBM compatible PC and would like the diskette and instruction booklet, please place an order with Tere Bledsoe at MGS 444-6594, ext. 6555. The package is free.

SEVEN MONTH RULE

SLS annual loan limits, inclusive of reduced loan limits for students in programs of study that are less than a full academic year in length, now apply to a loan period which is the greater of the educational institution's academic year (consistent with Federal Regulations) OR seven months, whichever is longer, even if a student makes a change in programs during this time period. Schools will need to document in the borrower's file the program length and which academic year each loan pertains to. This provision applies to all SLS loans certified on or after January 1, 1990 and first disbursed on or after October 1, 1991. The provision will remain in effect until October 1, 1996.

PAUL DOUGLAS TEACHER SCHOLARSHIP

Congratulations to the four winners of the 1991-92 Paul Douglas Teacher Scholarship Program. They are:

Beth Ann Deffinbaugh-Great Falls
Kathy Van Tighem-Great Falls
Jill Amundsen-Billings
Laura Houtz-Kalispell

The scholarship is available for a maximum of four years provided the recipient pursues an undergraduate degree in the area of pre-school, elementary or secondary education. Good luck to the four winners.

FUTURE WORKSHOPS

MGSLP is beginning to plan for future workshops and we are seeking your ideas regarding time, place and agenda items. Attached to this newsletter is a survey sheet for your suggestions. We hope you will take the time to complete the survey and return it to our office. Thank you.

CHECK RETURN

When a check or state warrant that is issued to a student and that student does not enroll, withdraws, or is not eligible for the disbursed amount, the following may be helpful in determining where to return the check.

Montana State warrants that are issued by MGSPL should be returned to Peggy Lamb at MGSPL with a letter or form stating why it is being returned. A copy of the explanation should also be mailed to the lending institution for its file.

USA Funds (disburse for First Bank and Norwest) checks should be returned to USA Funds with an explanation of why it is being returned.

Any check issued directly by a lending institution should be returned to the issuing lender, with an explanation of why it is being returned. The address is normally on the check.

LOAN APPLICATION RETURN

MGSPL Application Processing Unit, on some days, has returned almost 1/4 of the applications to the borrowers because the applications have not been fully completed or correctly completed. If and when you talk to a student please mention the time saved if they would correctly complete their loan application. Instructions are printed on the applications, or if the student needs additional help in filling out the loan application, (s)he can call MGSPL at (800) 537-7508.

ITEMS FROM MHESAC
By Jim Stipcich
Executive Director

Well after a great summer the first day of fall is upon us and with it comes the end of vacations, leaves turning color, elk bugling and the return of school for most students. Consequently, I know how busy all of you are processing this year's loan volume. Hang in there; the crunch will soon be over and then you can return to your normal 9 to 5 responsibilities. I am always impressed by the fact that the Montana Student Loan Program provides over \$50 million in loans to students annually in the efficient manner that it does and I think all of you deserve recognition for the job you do.

Things are busy at MHESAC as well. We are presently working on our next loan acquisition financing. We expect the financing to be approximately \$125 million in size (enabling MHESAC to satisfy loan demands for the next 2-25 years) and it should be completed in November. The lenders will be hearing from myself or Duane concerning new Loan Purchase Agreements over the next couple of months.

Plans are continuing to be finalized for MHESAC to assume additional servicing responsibilities. In January we plan to begin receiving and processing all deferments, forbearance and enrollment verifications for MHESAC accounts in Montana. We think this will provide improved processing time and more accurate processing. We also plan to implement procedures to provide better communication to the borrower concerning the status of their request. We also plan to expand our involvement in phone inquiries from borrowers.

Construction on the building continues and we hope to have the facility closed in by winter. The schedule still looks like our move will be in order next summer.

While all of this is going on, we also try to keep track of the events occurring in the Reauthorization process. As you may be aware, lots of ideas are being considered (including a direct federal loan program to replace the existing program). I encourage you to contact your representatives in Washington and let them know your thoughts concerning the ideas being considered in Reauthorization. Your comments are essential in determining the future of the student loan program. As always I am available to discuss any of these items or any other issue you would like to discuss.

Take care and enjoy the fall season (in case you haven't figured it out, fall is my favorite time of the year).

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING September 30, 1991

The following special allowance rates were computed pursuant to the statutory formula of section 438(b)(2) of the Higher Education Act of 1965, as amended:

<u>Applicable Annual Interest Rate</u>	<u>Special Allowance at Annual Rate</u>	<u>Special Allowance Factor for Quarter</u>
--	---	---

A. GSLP and PLUS loans made prior to 10/1/81:

7%	2.125%*	0.53125%
9%	0.125%*	0.03125%

B. GSLP, PLUS, and SLS loans made on or after 10/1/81 for periods of enrollment beginning prior to 11/16/86:

7%	2.05%*	.5125%
8%	1.05%*	.2625%
9%	0.05%*	.0125%
12%	.00%*	.000%

C. 1. GSLP loans made for periods of enrollment beginning on or after 11/16/86; PLUS and SLS loans made for periods of enrollment beginning on or after 11/16/86 but prior to 7/1/87; consolidation loans made on/after 10/17/86:

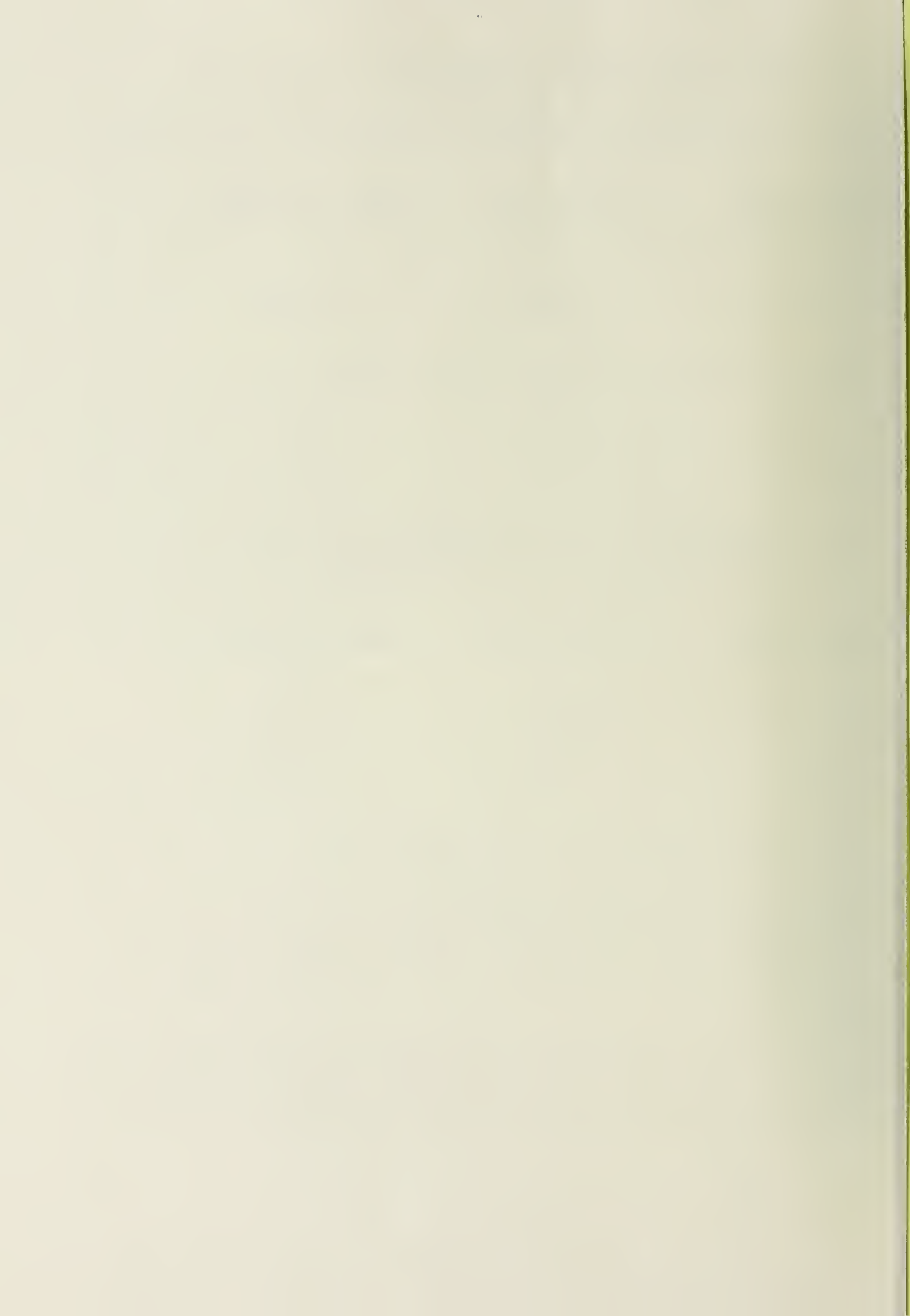
<u>Applicable Annual Interest Rate</u>	<u>Special Allowance at Annual Rate</u>	<u>Special Allowance Factor for Quarter</u>
--	---	---

7%	1.80%*	0.00045%
8%	0.80%*	0.00020%
9%	0.00%*	0.00000%
10%	0.00%*	0.00000%
11%	.00%*	0.00000%
12%	.00%*	.00000%

2. PLUS and SLS loans made for periods of enrollment beginning on/after 7/1/87 carry a variable rate. Fixed rate PLUS and SLS loans also may be refinanced on or after January 1, 1987 at a variable interest rate. The variable interest rate for the period July 1, 1991 through June 30, 1992 is 9.34%; therefore, variable-rate PLUS/SLS loans are not subject to special allowance payment during the period July 1, 1991 through June 30, 1992.

T-Bill - 5.55%

NOTE: The special allowance rates for loans made or purchased with tax-exempt funds are one-half the rates specified above, except as indicated by an asterisk (*). The annual rate for loans made or purchased with tax-exempt funds is not less than 2.5% (7% loans), 1.5% (8% loans), and .5% (9% loans).



MONTANA GUARANTEED STUDENT LOAN PROGRAM
WORKSHOP SURVEY

Identify the type of institution:

- ☐ Lending institution
☐ Educational institution
☐ Other

When and where would you like the future workshops held?

	<u>Date(s)</u>	<u>Location(s)</u>
1st choice	_____	_____
2nd choice	_____	_____
3rd choice	_____	_____

Please identify any topics that you would like covered in MGSLP workshops.

Additional Comments - (on location, facilities, speakers, etc.)

Please complete this survey and return it to:

Mary Slama
35 So. Last Chance Gulch
Helena, MT 59620.



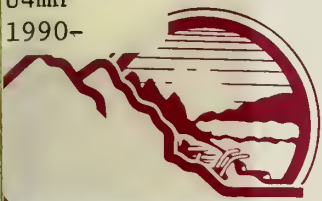
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Customer Assistance (800) 537-7508

Volume X, Number 4

December 1990

GREETINGS FROM BILL LANNAN

It seems impossible that 1990 has gone by and a new year of challenges is before us. I hope you had an enjoyable holiday season and are ready to face the challenges of Reauthorization and new legislation.

The year 1990 marched out with a series of new laws passed in Congress that affected the student loan program. The major regulations had to do with ability-to-benefit, the extension of default measures, and changes in the Chapter 13 Bankruptcy laws. Mary and Don are busy writing plain English versions of the regulations and will get the Montana guarantee agency's interpretation out to you as soon as possible.

One of the regulations that affected MGSLP is the requirement to perform supplemental pre-claims assistance on borrowers who are 120 or more days delinquent, if it is requested by the lender. MGSLP is busy setting up a new unit to meet this requirement.

Our office space is bursting at the seams with new staff and new responsibilities. It is a full time job keeping everyone informed of what is going on and of changes in the regulations.

The Legislature convenes in Helena on January 7, 1991. This is always an exciting time as parking spaces disappear, restaurants get crowded, and tensions mount. If you come to Helena during the Legislature be sure to stop by our office and say HELLO.

In closing, I hope that during the upcoming year the Montana guarantee agency can meet with our educational institutions and lenders to develop a unified approach to Reauthorization and what will work best for Montana. It is important that we let our Congressmen know the good things about the student loan program and how it has helped our citizens improve their status in life. We also need to stress how much we appreciate the support we have received from Congress over the past years.

God bless you during this new year of challenges.

STAFF UPDATE

Let's take time to introduce two new employees at the MGSLP.

In October Janice Hensel joined the agency filling the Paralegal position. Jan comes from Missoula where she worked for the firm of Tipp, Frizzell and Buley and brings with her several years of experience in bankruptcy and collection work. Jan was recently married in September and enjoys mountain biking, running and scuba diving with her husband David Andrew.

New to the area of Aversion Specialists is Mike Stebbins. Originally from Bozeman, Mike and his family have resided in Helena for several years. Mike previously worked for the Public Employee Retirement System. The Stebbins family participate in a variety of outdoor sports and most recently have taken on the project of building a house. Good luck!

Welcome to the Montana Guaranteed Student Loan Program.

LENDERS!!!!

A recent U.S. Department of Education audit of the MGSLP has stressed the importance of loan status data in all facets of the Guarantee Agency's operations. Therefore, it is imperative that lenders submit the Lender's Manifest/Update to the MGSLP on at least a monthly basis. Important transactions include sales, conversions and paid-in-full loans. If you have any questions, please contact Don Slovarp at 444-6594.

NEW REGULATIONS PASSED IN 1990

Numerous new regulations affecting both schools and lenders were passed in the final days of 1990. MGSLP is in the process of preparing memos to both schools and lenders explaining the new regulations. Some of the new regulations, i.e. Ability to Benefit, were effective 1-1-91 so we are working as fast as we can on getting the information to you.

1991 SUMMER INSTITUTE

The Rocky Mountain Training Committee announces the 1991 Summer Institute. Darley Commons, on the University of Colorado - Boulder campus is the site for the 1991 Rocky Mountain Summer Institute from June 9 through June 14. Workshops for the 1991 Institute include three Neophyte, 2 for traditional schools and 1 for the non-traditional school. Additional workshops include one Intermediate session, one Advanced session and one session for Lenders/Servicers and Guaranty Agencies.

Faculty for the Institute include Neophyte teaching teams of Sandy Calhoun and Don Buehrer, Emma Baker and Mick Hanson, and Rita Bayless and Mike Abdouch. Mike Johnson and Christy Crenshaw will take the lead for the Intermediate session. Pat McTee and Leo Munson will coordinate the Advanced session. The Lender/Servicer/Guaranty Agency session coordinators are Kathy McConnell and Phil VanHorn.

The Institute is a great means of training staff new to financial aid and the student loan program. If you have never been, why not start now to fit it into your budget. Be sure to watch your mail for further information. Questions? Please contact either Janet Dodson, 402-479-6949 or Larry Viterna, 913-532-7077.

OVERAWARDS

A reminder to schools, the Budget Reconciliation Dear Colleague Letter 89-58 published December, 1989 requires schools to withhold and promptly return to the lender any disbursement amount not yet delivered to a student that exceeds the amount of assistance for which the student is eligible. Previously, schools were not required to return loan proceeds if the student received additional aid of which the school was not aware of at the time of loan certification. Institutions must now ensure financial eligibility has been maintained prior to check delivery, both to the student's account or in the form of a cash release. There is no tolerance built into this regulation; all overawards must be returned to the lender, regardless of the amount.

Instead of returning the entire undelivered check to the lender, schools may now return only the portion of the disbursement for which the student is not eligible. All proceeds returned to lenders which represent overawards must be sent with an accompanying notice or letter identifying the payment as an overaward.

In reference to the Dear Colleague Letter GEN-90-33 (September 1990), if the school has negotiated the original loan check because the student is eligible for a portion of the original disbursement, the lender need not return the insurance premium and origination fee attributable to the amount returned to the lender i.e., the portion for which the student has been overawarded. If the student is not eligible for the entire amount disbursed or the school returns the original check, the lender must refund to the student's account the insurance premium and origination fee attributable to the amount returned.

Federal Regulations state that a school must return overawards "promptly": 30 days for uncashed disbursements; 60 days for partial overawards. If there are any questions concerning this issue, please contact Mary Slama 444-6594.

GSL DISBURSEMENT SERVICE

In the past MGSLP has used guarantee agency funds to cover the state warrant requested for students before the funds for the disbursements were actually received from all the lenders. We can no longer do this because of the large volume and dollar amount of state warrants that are requested each week. There are 45 lenders that have joined our disbursement service. To be able to continue offering the disbursement service free to lenders, the guarantee agency is looking at cost saving measures.

Effective immediately, the MGSLP disbursement service will not be printing any state warrants until all the funds due from lenders to cover the disbursement total amount have been received. The warrants are printed once a day in the early morning hours; consequently the checks are printed the day after the request is submitted.

If you have further questions please contact Judy Opitz or Peggy Lamb at 444-6594.

CHANGES IN DISBURSEMENT AMOUNTS

When educational institutions need to make changes in a borrowers eligibility and there is an affect on a check amount, all changes must be submitted at least one week prior to the affected disbursement date of the next check. Changes not made within the required time period will be reflected on the following scheduled disbursement.

FLAG LENDER SERVICE AVAILABLE THROUGH MGSLP

Lenders interested in increasing their workload can do so by signing a FLAG Agreement with MGSLP. Fast Loan Application Guarantee (FLAG) is a service of United Student Aid Funds Group and is available through a contract MGSLP has signed with USA Funds. The service is intended for lenders who process over 350 applications per year to help the lender lower its costs. Lenders sign an agreement with the Montana guarantee agency and list the parameters on the types and dollar amount of loans the lender will approve. Once the lender has signed the agreement, loan applications are no longer sent to the lender until the loan has been approved and guaranteed. The lender's parameters are entered on the computer at MGSLP and the computer completes the lender's section of the application.

This service is a convenience for lenders who DO NOT have a client relationship with the student loan applicant and consider themselves an open lender. The service costs 25¢ per application processed. If you would like more information on being a FLAG lender, please contact Don Slovarp or Judy Opitz at 444-6594.

FINANCIAL AID HOTLINE SET FOR JANUARY 22, 1991

The Financial Aid Hotline organized by MASFAA has been set for Tuesday, January 22, 1991, from 6:00 to 9:00 p.m. at four locations in Montana. The locations are Norwest Bank, Billings; D.A. Davidson & Co, Great Falls; Missoula Vo-Tech, Missoula; and the Montana Guaranteed Student Loan Program, Helena. The organizations have made a toll free 800 number available for this one night only for students and parents to call in and ask questions about financial aid.

There will be a broad representation of educational institutions at each site. The site coordinators have contacted financial aid officers from four-year, two-year, vo-techs and proprietary schools to volunteer to answer the phones and callers' questions. If you weren't contacted this year don't heave a sigh of relief --- you will be contacted next year! The site coordinators are Sue Weinress, Billings; Jim Allwerdt, Great Falls; Paula Seaholm and Dan Burke, Missoula; and Mary Slama, Helena.

News releases have been sent to the radio and television stations in Montana, the city and county newspapers, and to the high schools. The news releases stressed that the 800 toll free numbers will be available for the three hours on Tuesday, January 22, 1991 only and should not be used at any other time.

A sincere THANK YOU is sent to volunteers and organizations for helping the Montana Association of Student Financial Aid Administrators (MASFAA) set up the Financial Aid Hotline.

799 INTEREST AND SPECIAL ALLOWANCE REPORT

A reminder to lenders that all loans originated in the 10/1/89 to 12/31/89 Gramm-Rudman period should be listed in the "SD" rather than the "SC" special allowance category beginning with this quarter ending 12/31/90. If you have questions concerning this, contact Don Slovarp at 444-6594.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING DECEMBER 31, 1990

The following special allowance rates were computed pursuant to the statutory formula of section 438(b)(2) of the Higher Education Act of 1965, as amended:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
--	---	---

A. GSLP and PLUS loans made prior to 10/1/81:

7%	3.750%*	0.93750%
9%	1.750%*	0.43750%

B. GSLP, PLUS, and SLS loans made on or after 10/1/81 for periods of enrollment beginning prior to 11/16/86:

7%	3.71%*	0.92750%
8%	2.71%*	0.67750%
9%	1.71%*	0.42750%
12%	.00%*	.00000%

C. 1. GSLP loans made for periods of enrollment beginning on or after 11/16/86; PLUS and SLS loans made for periods of enrollment beginning on or after 11/16/86 but prior to 7/1/87; consolidation loans made on/after 10/17/86:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
7%	3.46%*	0.86500%
8%	2.46%*	0.61500%
9%	1.46%*	0.36500%
10%	0.46%*	0.11500%
11%	.00%*	0.00000%
12%	.00%*	.00000%

2. PLUS and SLS loans made for periods of enrollment beginning on/after 7/1/87 carry a variable rate. Fixed rate PLUS and SLS loans also may be refinanced on or after January 1, 1987 at a variable interest rate. The variable interest rate for the period July 1, 1990 through June 30, 1991 is 11.49%; therefore, variable-rate PLUS/SLS loans are not subject to special allowance payment during the period July 1, 1990 through June 30, 1991.

NOTE: The special allowance rates for loans made or purchased with tax-exempt funds are one-half the rates specified above, except as indicated by an asterisk (*). The annual rate for loans made or purchased with tax-exempt funds is not less than 2.5% (7% loans), 1.5% (8% loans), and .5% (9% loans).

MONTANA GUARANTEED STUDENT LOAN PROGRAM CONTACTS

There is an updated list of the MGSLP departments and staff:

Director's Office (406) 444-6594

Bill Lannan, Director
Arlene Hannawalt, Program Coordinator
Betty Haight, Program Assistant
Mary Slama, Program Specialist (schools)
Don Slovarp, Program Specialist (lenders)
Tere Bledsoe, Administrative Aide

Fiscal Department (406) 444-6594

Rosemary Harmon, Accountant
Patty Davis, Accounting Specialist
Viki Garman, Accounting Clerk
Linda Fisher, Administrative Aide

Application Processing (406) 444-6594

Judy Opitz, Supervisor
Kathy Regedahl, Application Processor
Dee Nicola, Application Processor
Heather Johnson, Data Entry Operator
Florence Marshall, Data Entry Operator
Peggy Lamb, Disbursement Clerk

Pre-Claims/Customer Assistance (406) 444-6594

Meg Foutch, Supervisor
Jennifer Viets, Customer Assistance - 1-800-537-7508
Vince Justice, Aversion Specialist
Mike Kecskes, Aversion Specialist
Marianne Meegan, Aversion Specialist
Mike Stebbins, Aversion Specialist
Leslie Wallem, Aversion Specialist
Beth Kenney, Program Assistant
Sandra Driessen, Data Entry Operator

Claims Management (406) 444-6594

Mark Bryson, Supervisor
Stacey Brown, Claim Reviewer
Ted Broderick, Claim Reviewer
Wendy Plese, Claim Reviewer
Bill Hunthausen, Claim Investigator
Melanie Marotta, Claim Investigator
Sally Smith, Claim Investigator
Jody Hamblin, Administrative Aide
Janice Hensel, Paralegal



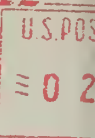
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STATE DOCUMENTS COLLECTION

JUL 20 1992

Volume XI, Number 1

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March 1992

GREETINGS FROM MGS LP

Spring is here; most of us are eager to get out on the golf course, the tennis court, or to work in the yard. One aspiring resident of Helena decided St. Patrick's Day was a good day to help us remodel our office space. We now have a new "application drive thru window" where Judy Optiz's office once was. The "gentleman" drove through Judy's office window with his truck. Fortunately he was insured and workmen recently began remodeling the remodeling job.

While our hearts may be turned to the outdoors our minds are actively watching Congress and the progress being made towards Reauthorization of the Higher Education Act of 1992. Both the House and the Senate have passed their respective bills. The bills are soon to be in Conference Committee where a final bill will be sent to the President for signature. Some of the language which is the same in both bills and therefore will be in the final legislation are: 1) a more restrictive definition of dependent/independent student; 2) strengthens State role by requiring review of schools and establishes priorities for review; 3) reduces the number of deferments from thirteen to three; 4) allows married students to consolidate their loans; 5) establishes a 5% origination fee for PLUS/SLS loans; 6) requires the Secretary to establish management plans for weak guarantee agencies; and 7) calls for negotiated rulemaking.

Other items which must be agreed upon in Committee are: 1) eligibility of programs less than 600 clock hours in duration; 2) the needs test methodology used for determining expected family contribution; 3) the use of credit checks and co-signers; 4) availability of loans to middle income families; 5) direct loan pilot project; 6) graduated repayment plans; 7) lender yield; 8) borrowing limits; 9) interest rates; and 10) eligibility requirements for first time borrowers. Of major interest to lenders will be the various proposals on lender yield. Under current law lender yield is limited to the average 91 day T-Bill plus 3.25%. For SLS/PLUS special allowance is not paid unless the rates exceed 12%. Under the House version (HR3553) yield would be limited to the average 91 day T-Bill plus 3.0% for periods after the beginning of the repayment period pursuant to section 428(b)(8), and 2.85% at other times. In the Senate version (S1150) yield would be limited to the average 91-day T-Bill plus 3.10%, but reduced to 3.0% if the holder's default rate is greater than 25% or if the holder does not provide the guarantee agency information. In addition, the Senate version states special allowance will not be paid on PLUS/SLS loans unless the rate exceeds 11%.

Of special interest is the House version where an amendment introduced by Mr. Slattery addresses excess interest. The language would in effect require lenders to rebate excess interest to either the federal government or the borrower (depending on who is responsible for the interest at the time the "excess" occurs) should the average 91 day T-Bill plus 3.25% be less than the interest rate on the loan. This would be evaluated on a quarterly basis.

I am sure you and I are going to closely watch what happens. Unfortunately we will not know the final results of the compromise bill until it comes out of committee and is presented to the President for signature.

STAFF CHANGES

MGSLLP would like to welcome, bid farewell, and introduce the new additions to our office, Cyndy Munson, Linda Fisher, and Marianne Crippen.

Cyndy Munson was hired to fill the Secretary position for the Paralegal and Program Coordinator. Cyndy had recently worked as a temporary and looks forward to being full-time.

Linda Fisher who filled the position of Administrative Aide in the Fiscal area left us on April 15th to accept a position with another State Agency. We wish her well and will miss her.

Marianne Crippen joined our staff in February and comes to the MGSLLP from Missoula where she worked for Green Tree Acceptance, Inc. Marianne and her husband Ken are both graduates of the University of Montana and avid sport fans. Antique hunting and of course shopping are also a few of Marianne's free-time activities. Marianne will fill the Administrative Aide position in the Fiscal area.

MHESAC 800 NUMBER

The Montana Higher Education Student Assistance Corporation has a new 800 number now in effect. The new number is: 800-852-2761. When the borrower reaches that number they are asked which unit or extension they want. The options are:

Customer service, ext. 0606; Collections, ext. 0601;

Consolidations, ext. 0603; or Skip tracing, ext. 0602.

If the line is busy the borrower is told to hold until the next available person is able to take their call.

THANK YOU!!!!!!

MGSLLP would like to thank the 20 schools that returned the Anticipated Graduation Date list so promptly. All of the updates have been processed in time for the next Student Status Confirmation Report generation on 3-30-92. GOOD JOB!

LENDERS!

If a lender believes they are entitled to an increase in a claim payment they received, MGSLP requests that the lender submit a Request For Increase in Claim Payment form within 90 days of receiving the original claim payment. Reasons a claim may not have been paid at 100% may include a penalty for a due diligence violation, deduction of some of the capitalized interest, or interest accrued in excess of 390 days. However, these requests will be accepted no later than the 180th day after the lender received the original claim payment. If the request is submitted after the 180th day the request will be denied.

To allow for a phase-in of this requirement, MGSLP will accept, through June 1, 1992, forms for increase in payment submitted after the 180 day deadline.

If you have questions, please contact the Claim Review Unit at 444-6594

INTEREST BILLING DURING LEAP YEAR

Lenders, just a reminder that you may use either 365.25 days for four consecutive years or the actual number of days in each year, 365 days for three years and 366 days for leap year. REMEMBER to add the additional day to the quarter ending March 1992 if you are using the actual number of days method.

It is the responsibility of the lender to ensure billings submitted to the D.O.E. are accurate. Any liability that may be assessed as a result of improper interest computations by either the lender or the lender's servicer, will be the lender's responsibility. If you have questions, call Don Slovarp at 444-6594.

45 DAY RULE

There have been some questions as to how long an educational institution may hold loan proceeds before delivering the proceeds to an eligible borrower. The answer is 45 days from the date printed on the check, so when requesting disbursements be sure to keep this in mind.

ATTENTION: SPECIAL ALLOWANCE RATES

Due to the average T-Bill rate being so low (4.02%), many loans will not receive special allowance benefits for the quarter ending March 31, 1992. However, the Department of Education requires lenders to report all eligible loans on the Interest and Special Allowance Report regardless of whether or not the quarterly factor will result in special allowance payments.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING MARCH 31, 1992

The following special allowance rates were computed pursuant to the statutory formula of section 438(b)(2) of the Higher Education Act of 1965, as amended:

<u>Applicable Annual Interest Rate</u>	<u>Special Allowance at Annual Rate</u>	<u>Special Allowance Factor for Quarter</u>
--	---	---

A. GSLP and PLUS loans made prior to 10/1/81:

7%	0.625%*	0.15625%
9%	.00%*	0.0000%

B. GSLP, PLUS, and SLS loans made on or after 10/1/81 for periods of enrollment beginning prior to 11/16/86:

7%	0.52%*	0.13%
8%	0.00%*	0.00%
9%	0.00%*	0.00%
12%	.00%*	0.00%

C. 1. GSLP loans made for periods of enrollment beginning on or after 11/16/86; PLUS and SLS loans made for periods of enrollment beginning on or after 11/16/86 but prior to 7/1/87; consolidation loans made on/after 10/17/86:

<u>Applicable Annual Interest Rate</u>	<u>Special Allowance at Annual Rate</u>	<u>Special Allowance Factor for Quarter</u>
--	---	---

7%	0.27%*	0.0675%
8%	0.00%*	0.00000%
9%	0.00%*	0.00000%
10%	0.00%*	0.00000%
11%	.00%*	0.00000%
12%	.00%*	.00000%

2. PLUS and SLS loans made for periods of enrollment beginning on/after 7/1/87 carry a variable rate. Fixed rate PLUS and SLS loans also may be refinanced on or after January 1, 1987 at a variable interest rate. The variable interest rate for the period July 1, 1991 through June 30, 1992 is 9.34%; therefore, variable-rate PLUS/SLS loans are not subject to special allowance payment during the period July 1, 1991 through June 30, 1992.

T-Bill - 4.02%

NOTE: The special allowance rates for loans made or purchased with tax-exempt funds are one-half the rates specified above, except as indicated by an asterisk (*). The annual rate for loans made or purchased with tax-exempt funds is not less than 2.5% (7% loans), 1.5% (8% loans), and .5% (9% loans).

ITEMS FROM MHESAC
By Jim Stipcich
Executive Director

Boy have things been hopping at MHESAC. In December we completed a \$123,800,000 new money financing which will supply us with sufficient acquisition money to satisfy demand for the next two years.

In March we completed a \$153,990,000 refinancing. This refinancing enabled us to refund our 1984, 1987, 1988 and 1989 Bonds and provide permanent fixed rate financing for the loans previously owned under those financings.

On April 1, 1992, MHESAC assumed responsibility for receiving and processing deferments, forbearances and other borrower correspondence. We are excited about this as we know this will significantly reduce the processing time for these items.

Looking to the future it appears the pace will continue to be challenging. We are finalizing preparations for the lender workshops which are scheduled to occur this month. We hope to see you at the workshops in your area.

We are finalizing plans for the move to our new facility which is scheduled for mid-July.

We are finalizing plans for assuming responsibility for handling all phone call from borrowers. This is scheduled to occur this fall.

Finally, but not last, we are monitoring and trying to be involved in the Reauthorization of the Higher Education Act. As you know, this Reauthorization will set the blueprint for the student loan program for the next five to seven years. Consequently, involvement by all parties is essential. Of particular concern to us are the proposals in the House bill to implement a direct loan program; to require a rebate from lenders to the federal government of "excess interest" during the interim period and the requirement to delay the commencement of interest and SAP until the student picks up the loans. We encourage each and every one to become familiar with the entire package and voice your opinion to your Congressional representatives.

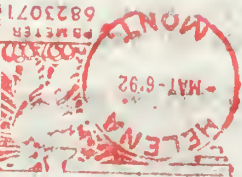
Take care and hopefully we will see each and every one of you this summer.

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STATE DOCUMENTS COLLECTION

JUL 23 1992

Volume XI, Number 2

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June 1992

GREETINGS FROM MGSLP

Summer seems to be fast approaching, so I hope everyone is taking advantage of the sunny days.

This past quarter has been a busy one in the Guarantee Agency's office. Obviously, we are entering the peak time period for receipt of applications for the Student Loan. The other big item in this office is preparation for the move into the new building which is scheduled for July 17, 18, and 19th. The office will be closed on Friday July 17th and will be open for "business as usual" on Monday July 20th. I say this with tongue in cheek because the main frame computer is being moved that week-end and if something can go wrong, it will.

Sometime yet to be determined, an Open House for the new building will be held. I hope we can arrange a conference for the lenders and schools so everyone will have an opportunity to attend and share the excitement of the new and expanded space.

If you haven't noticed by now, the reauthorization process is moving rather slowly. The conference committee staffers are meeting every afternoon going over differences in the House and Senate versions of the reauthorization Bills. I believe there are some difference about to be resolved. These differences are very controversial and it will take a while before any resolution will be reached. When the staffers complete their work and make a recommendation there will still be a lot of debate and compromise. The staff recommendations will be less than majority consensus. I predict we will be well into summer or fall before the reauthorization bill get to the President. So stay tuned.....!

PLEASE RETURN

STAFF CHANGES

MGSLP would like to welcome and introduce the new addition to our office, Darcie Henken.

Darcie Henken joins our office as Administrative Clerk II and with a great deal of experience. Darcie recently held the position of Student Loan Specialist with Bank of Montana Systems here in Helena.

NEW VARIABLE RATE FOR PLUS/SLS LOANS

Effective July 1, 1992 through June 30, 1993, the variable rate for Parental (PLUS) and Supplemental Loan for Students (SLS) will be 7.51%. The previous rate was 9.34%. Interest at the new rate begins to accrue on July 1, 1992 and should be applied to all payments due after July 1, 1992. A disclosure must be sent to borrowers advising them of the new rate. Lenders have the option of either adjusting the borrower's monthly payments or the number of payments remaining on the borrower's outstanding debt. Lender's do not need to complete a new repayment schedule for the borrower. If you have questions regarding this matter please contact Don Slovarp at 444-6545.

REFINANCING PLUS/SLS LOANS

If requested by the borrower, a lender may refinance multiple PLUS or SLS loans into a single combined payment. Repayment would begin on the first payment date of the most recent loan. The ten year repayment schedule would commence on the first refinanced due date. If the loans had variable interest rates, the refinanced loan would maintain the current variable rate. If the loans had multiple fixed rates, the refinanced loan would use the weighted average of all the previous interest rates. An example calculation of the weighted average is:

1 loan at 9% for \$1000.00

2 loans at 8% for \$2000.00

The average $9+8+8 = 25/3 = 8.33\%$

The borrower is not charged an additional fee for refinancing the loan and there is no need for a new promissory note. If you have questions please reference the Federal Financial Aid Handbook Chapter 10 page 31 or contact Don Slovarp at 444-6545.

NEW ADDRESS

WE ARE MOVING! Effective July 20, 1992 MGSLP and MHESAC will have a new address so please take the time to update your files.

Montana Guaranteed Student Loan Program
2500 Broadway
Helena, MT 59620-3101
Telephone (406) 444-6594
FAX (406) 444-0684

Montana Higher Education Student Assistance Corporation
2500 Broadway
Helena, MT 59620-3104
Telephone (406) 444-6597
FAX (406) 444-0684

A QUESTION FOR LENDERS

A common question MGSLP is routinely asked is: Are deferment and forbearance periods included in the 10 year repayment requirement? Answer: Any periods of authorized deferment or forbearance granted are not counted in the five and ten year repayment period.

Source: Federal Student Aid Handbook, pg. 10-12; Federal Regulations Section 682.209 (a)(b)(ii).

FYI

For your information, when ordering loan applications in large quantities please allow at least for a 2 week delivery period. If you have questions on ordering, contact Tere at (406) 444-6555.

CO-SIGNERS

On the new Stafford and PLUS/SLS loan applications dated 2/91 there is an area for a co-signer signature. This is only in preparation for the requirement, which as of now is not in effect, so please do not require borrowers to obtain a co-signer's signature until you are notified to do so. If you have further questions on this matter please contact our office at 444-6594.

FLAG LENDERS

The following is an update on MGSLP FLAG lenders:

Bank of Montana *
First Bank *
First Interstate Bank of Missoula
First National Bank of Lewistown
Montana Bank (Billings, Bozeman, Butte, So. Missoula) *
Norwest Bank *
Richland National Bank
First Interstate Bank of Kalispell *
First Security Bank of Miles City
First National Bank of Glendive *
(FIRST LIBERTY FEDERAL CREDIT UNION NO LONGER IS A FLAG LENDER)

* Participates in PLUS/SLS Program also.

Educational institutions will need to send completed loan applications directly to MGSLP if the borrower has indicated any of the above institutions on the application.

LENDERS ON DISBURSEMENT SERVICE

There has been a change in the fee structure for lenders on the disbursement service. MGSLP has decided to forego the \$10 monthly fixed charge that originally was built into our fee structure. We were concerned that the monthly fixed fee would price the disbursement service out of reach for lenders that make a small number of student loans.

The disbursement service invoices will only include a per item fee for each disbursement included in the current loan section of the past quarter's fee billing statements. The per item charge is based on the total volume of loan disbursements made by the institution in the previous Federal Fiscal Year.

We would also like to announce that MGSLP has upgraded our Automatic Clearing House (ACH) program. We now use the ACH program to debit the institution's account for the weekly disbursements and guarantee fees, and also to make refunds. This program is now being used to collect the fees we charge for providing the disbursement service. If you have questions please contact Judy Opitz at 444-6594

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING JUNE 30, 1992

The following special allowance rates were computed pursuant to the statutory formula of section 438(b)(2) of the Higher Education Act of 1965, as amended:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
--	---	---

A. GSLP and PLUS loans made prior to 10/1/81:

7%	0.375%*	0.09375%
9%	.00%*	0.0000%

B. GSLP, PLUS, and SLS loans made on or after 10/1/81 for periods of enrollment beginning prior to 11/16/86:

7%	0.28%*	0.07%
8%	0.00%*	0.00%
9%	0.00%*	0.00%
12%	.00%*	0.00%

C. 1. GSLP loans made for periods of enrollment beginning on or after 11/16/86; PLUS and SLS loans made for periods of enrollment beginning on or after 11/16/86 but prior to 7/1/87; consolidation loans made on/after 10/17/86:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
--	---	---

7%	0.03%*	0.0075%
8%	0.00%*	0.00000%
9%	0.00%*	0.00000%
10%	0.00%*	0.00000%
11%	.00%*	0.00000%
12%	.00%*	.00000%

2. PLUS and SLS loans made for periods of enrollment beginning on/after 7/1/87 carry a variable rate. Fixed rate PLUS and SLS loans also may be refinanced on or after January 1, 1987 at a variable interest rate. The variable interest rate for the period July 1, 1991 through June 30, 1992 is 7.51%; therefore, variable-rate PLUS/SLS loans are not subject to special allowance payment during the period July 1, 1992 through June 30, 1993.

T-Bill - 3.78%

NOTE: The special allowance rates for loans made or purchased with tax-exempt funds are one-half the rates specified above, except as indicated by an asterisk (*). The annual rate for loans made or purchased with tax-exempt funds is not less than 2.5% (7% loans), 1.5% (8% loans), and .5% (9% loans).

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Volume XI, Number 3

September 1992

GREETINGS FROM MGS LP

Well after being at the Broadway location for almost three months now, we are official!

September 15th and 16th were the dates of the openhouse, ribbon cutting and higher education conference. On the 15th, Dan Cheevers from the Massachusetts Higher Education Assistance Corporation was the keynote speaker and spoke on "Challenges for Higher Education in America". The ribbon cutting ceremony preceded with Helena Mayor Kay McKenna doing the honors. The 16th was a day full of panel discussion. Commissioner John Hutchinson opened by extending a welcome to all attending and moved onto the panel discussion, "Overview of the Issues Facing Postsecondary Education in Montana", focusing on the importance of postsecondary education and finding means to maintain affordability. Members of the panel included Commissioner Hutchinson; Judy Jacobson, Legislator; Jeff Baker, Vice President for Academic Affairs from Carroll College; and Jack Mudd, Chairman for Commission of the 90's. It was an open discussion with audience interaction.

In the afternoon on the 16th, the panel discussions were continued with the topic "Reauthorization and its Overall Impact on Federal Financial Aid". Jim Craig, Financial Aid Director at Montana State University opened the discussion with the accomplishments of Reauthorization, talking about the increase in Pell Grants, single and simple application/needs analysis and the elimination of farm/home equity. Jon Veenis, Norwest Bank, spoke from a lenders perspective with the potential decrease of Interest/Special Allowance benefits, decline of active lenders and a decline of lenders available to service loans. Mandi Burch, Financial Aid Director from College of Great Falls, a private school, emphasized the "four C's". Control (placed on all player), confusion (implement the unknown), cooperation (less us vs. them) and change (opportunity to improve). Mick Hanson, Financial Aid Director at University of Montana summed up the discussion of who was affected by reauthorization and in what ways the affects were to be felt.

It was an exciting and enlightening 2 days. Thank you to all that participated and took time to visit. It is comforting to know the support and concern we have within our state.

PLEASE RETURN

STAFF CHANGES

Along with a new office building comes some new employees. MGSLP would like to welcome and introduce the new additions to our office.

Wendy Kliment is the new Secretary in the Administrative Unit. Marysville is where Wendy and family (in addition to 2 horses, 2 dogs, 2 cats and alot of chickens) call home. Wendy was previously employed at Mountain West Bank here in Helena.

Ruth Henry is new to the Customer Assistance Unit as an Administrative Clerk. Her background includes accounting and billing clerk positions. Ruth also worked as a cashier at the MSU Business Office. Her vast work experience will be a plus to MGSLP.

We would also like to take time to thank our current temporary employees, Carolyn Johnson, Brenda Davidson and Don Skidmore. You are greatly appreciated.

SCHOOL UPDATE

Effective August 1, 1992, ACME Beauty College located in Billings, MT withdrew participation with the Montana Guaranteed Student Loan Program. International School of Cosmetology located in Great Falls, MT officially closed for business effective August 1, 1992. If you have questions regarding this information please contact Mary Slama at 444-0369.

LENDERS

When disclosing SLS or PLUS loan information to the borrower on the Notice of Guarantee (NOG), be sure that along with the interest payment information (if the borrower has chosen 'o defer) the total amount of interest to be paid over the life of the loan is also disclosed. The NOG contains a section to disclose this information to the borrower. If you have any questions regarding disclosure, please contact Don Slovarp at 444-0368.

MEMO TO EDUCATIONAL AND LENDING INSTITUTIONS

A recent memo has been sent out regarding reauthorization. The Guarantee Agency realizes that this memo raises many concerns. The memo contains only the actual language of the law, and the Department of Education must provide MGSLP and the institutions clarification on what procedures will be necessary to comply. Please be patient while MGSLP is awaiting this information. Any clarification or guidance will be immediately forwarded to the educational and lending institutions. In the meantime, please direct your questions to Don Slovarp, Mary Slama or Arlene Hannawalt at 444-6594.

LIFE AFTER DEBT BROCHURE

The newly updated Life After Debt Brochure is available for ordering. Orders must be requested through Kris Dramstad at Northern Montana College. Kris's telephone number is 265-3787 and all orders must be paid for before they will be shipped.

REISSUED CHECKS

USA FUNDS has the following policy for checks reissued by them on behalf of Norwest and First Bank:

The policy states that reissued checks must be negotiated within 120 days of the original check date or within 45 days of receipt of the reissued check, whichever is earlier.

If the reissued check has not been negotiated within 120 days of the original check date, the entire loan must be cancelled. If the funds are still needed, the borrower must reapply for a new loan.

If the loan proceeds are not delivered to a student within 45 days of receipt of the loan proceeds, then the funds must be returned to USA Funds for additional reissue or cancellation.

If you have any questions regarding this procedure, please contact Paula Roof at First Bank or Norwest Customer Service.

EXIT COUNSELING REQUIREMENTS

Effective June 27, 1992 schools are now required to obtain from the student during exit counseling the following three items:

1. the borrowers potential new employer,
2. new updated permanent address for the borrower, and
3. name, address and phone number of the borrower's next of kin.

Failing to obtain this information during the exit counseling will be considered a violation of the school's compliance. If you have any questions contact Mary Slama at 444-0369.

CALL REPORTS

A reminder to lenders: MGSLP requires all lenders to submit a copy of parts V and VI of the 9/30/92 quarter ending Interest and Special Allowance Report (799 Form). Please submit copies to the attention of Wendy Kliment at MGSLP.

UPDATE FROM MASFAA

The word of the year is CHANGE!!! Reauthorization of the Higher Education Act which has extended our programs through 1998 has also extended our stress level as our need to continually learn how to adapt to change. First we must re-learn the delivery system -- only one financial aid form, only one student loan application, only one student status confirmation report -- only one hundred things that need to be changed in our offices to accomplish these tasks.

The Montana Association of Student Financial Aid Administrators (MASFAA) met in Glendive on September 28, 29, and 30th. The weather was beautiful and the hospitality top notch. These two items made it possible for us to withstand the overwhelming news Chris Malcomb from the Department of Education presented on Reauthorization. There were lots of questions and some answers.

- * Effective October 1, 1992 parental loans, PLUS loans, will be made copayable and mailed to the educational institution. Each institution will have to work out how they are going to handle the parents's check until the student has officially enrolled.

- * Addendums explaining the new regulations must be given to students who receive their first disbursement on/or after October 1, 1992.

- * Educational institutions must accept the free federal financial aid form in providing federal financial aid. Other forms can be used to disburse institutional aid but cannot ask the same questions that are on the free federal form. If the financial aid office only has federal Title IV funds to distribute it cannot require the student to submit additional information on one of the forms that require a fee. This is a major change for the industry and for students. With the upcoming High School Counselor trainings I am sure there will be a lot of discussion addressing the new delivery system.

- * The Congress has mandated a prorata refund policy for first time borrowers. Educational Institutions need to pay close attention to not only the ratios but the order in which funds must be refunded to the Title IV programs. This went into effect July 23, 1992. Some of the institutions at MASFAA believe the school should have only one refund policy for all students. Institutions under the Montana University System have asked the Board of Regents for assistance as the federal policy conflicts with Board Policy.

The guarantee agency is busy planning training sessions for schools and lenders on Reauthorization. You can expect to see us in your neighborhood before Christmas, tentative date is the week of December 7-11th. Until then, keep the faith and hang in there. We are only a phone call away.

CLAIMS MANAGEMENT

97 percent of Montana borrowers are repaying their loans on a timely basis while only 3 percent are subject to intensive collection efforts. In October of 1991, the Montana Guaranteed Student Loan Program began actively collecting about 30 percent of the defaulted loans in-house through the use of a specialized collection software program. The remainder of the defaulted loans are presently assigned to collection agencies for servicing. In-house investigators have collected recoveries totaling \$132,066.00 this past year. During fiscal year 1992 total collections from defaulted borrowers were \$2,707,868.00. We plan to increase in-house collections this year to 70 percent of the defaulted loans.

What creates the majority of defaults? In addition to non-payment, the following can contribute to the default process:

1. Borrowers did not update their addresses. This is required specifically in the terms of their promissory notes.
2. Borrowers did not submit deferment or forbearance forms timely, OR to all lenders.
3. School transfers. One school reports the borrower as not returning and the borrower fails to notify the lender of new enrollment.
4. Lack of communication with lenders and ignoring lender notices. Non-receipt of notices is NOT a defense against repayment.

When student borrowers default, the rules change!

1. The borrower will generally be declared ineligible for future student loans and other Title IV financial aid money, including Pell Grants, until the entire outstanding balance is paid-in-full.
2. The default will be reported to all national credit bureaus, and will remain a part of the borrower's credit rating for at least 7 years. The default can only be updated and cannot be removed per federal regulations.
3. The loans now become due and owing in full. The entire balance is demanded immediately, and any repayment agreements are temporary and subject to demand at any time.
4. The borrower will no longer be eligible for forbearances or deferments.
5. The borrower may be sued in court to compel repayment of the loans. Our office includes an in-house legal unit which may file a judgment with the court and attach assets including bank accounts and wages, real estate property, and motor vehicles.
6. The account may be assigned to a professional debt collection agency.
7. Our most effective tool: in any state, WITHOUT GOING TO COURT, we have the authority to administratively garnish wages, and seize any federal income tax refunds due the borrower. Last year we received \$828,182 in federal tax offsets. Any money due the borrower from the state of Montana will also be offset to repay the debt, i.e. income tax refunds, lotto winnings and section 8 Board of Housing funds. State offsets last year totaled \$44,405.

Other Consequences of default:

8. The school may hold the borrower's academic transcripts.
9. Additional collection and court costs will be charged to the borrower.
10. Student loans are very rarely discharged in bankruptcy.
11. There is no statute of limitations on the collection of student loans.
THEY DO NOT GO AWAY!!!

Circumstances that qualify for write-offs are:

1. Total and permanent disabilities
2. Death

Borrowers need to communicate with their lender(s). Promptly update address and phone numbers. Retain the toll free phone numbers of the Montana Guaranteed Student Loan Program and the Montana Higher Education Student Assistance Corporation and keep a file with copies of all communications.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING SEPTEMBER 30, 1992

The following special allowance rates were computed pursuant to the statutory formula of section 438(b)(2) of the Higher Education Act of 1965, as amended:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
--	---	---

A. GSLP and PLUS loans made prior to 10/1/81:

7%	0.000%*	0.00000%
9%	.00%*	0.0000%

B. GSLP, PLUS, and SLS loans made on or after 10/1/81 for periods of enrollment beginning prior to 11/16/86:

7%	0.00%*	0.00%
8%	0.00%*	0.00%
9%	0.00%*	0.00%
12%	.00%*	0.00%

C. 1. GSLP loans made for periods of enrollment beginning on or after 11/16/86; PLUS and SLS loans made for periods of enrollment beginning on or after 11/16/86 but prior to 7/1/87; consolidation loans made on/after 10/17/86:

<u>Applicable Annual</u> <u>Interest Rate</u>	<u>Special Allowance</u> <u>at Annual Rate</u>	<u>Special Allowance</u> <u>Factor for Quarter</u>
--	---	---

7%	0.00%*	0.0000%
8%	0.00%*	0.00000%
9%	0.00%*	0.00000%
10%	0.00%*	0.00000%
11%	.00%*	0.00000%
12%	.00%*	.00000%

2. PLUS and SLS loans made for periods of enrollment beginning on/after 7/1/87 carry a variable rate. Fixed rate PLUS and SLS loans also may be refinanced on or after January 1, 1987 at a variable interest rate. The variable interest rate for the period Oct. 1, 1992 through June 30, 1993 is 7.36%; therefore, variable-rate PLUS/SLS loans are not subject to special allowance payment during the period October 1, 1992 through June 30, 1993.

T-Bill - 3.14%

NOTE: The special allowance rates for loans made or purchased with tax-exempt funds are one-half the rates specified above, except as indicated by an asterisk (*). The annual rate for loans made or purchased with tax-exempt funds is not less than 2.5% (7% loans), 1.5% (8% loans), and .5% (9% loans).

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December 1992

Volume XI, Number 4

GREETINGS FROM MGSLP

Welcome to 1993! As I review the past year 1992 and compare it to the beginning years of MGSLP, I am astonished at the growth and pleased with the cooperation among schools, lenders and the guarantee agency.

Since 1988 when the loan processing was fully implemented in Montana, there has been a remarkable decrease in the annual default rate, an increase in the rate at which delinquent borrowers were brought current and an increase in default collections. Customer service letters and telephone calls from lenders, schools and borrowers have increased but I have observed a larger number of customer satisfaction. I believe that the presence of the loan processing staff in Montana contributed to the improvement of the integrity of the student loan program and customer satisfaction. The "Bad Press" over the past few years about borrowers not repaying their loans and the unscrupulous schools ripping off students participating in the program, have not had the deliterous effect in Montana as it has in other states. MGSLP strives to improve the public's perception of student loans through quality service and we need to continue that practice because student borrowing is now the major resource for student and parents to meet the cost of post secondary education. Reauthorization changed the name to included Federal in all loan programs, increased borrowers loan limits, and adopted Congressman Pat Williams' Unsubsidized Stafford Loan program. In the future there will be more students accessing loans to attend college, therefore MGSLP will continue to improve the quality of service to borrowers, lenders and educational institutions whose loans we guaranteed.

I would like to extend credit for MGSLP's success to the dedicated and industrious staff and the cooperation of participating institutions. To each of you a very Happy New Year and may 1993 be your best year ever!

PLEASE RETURN

STAFF CHANGES

This last quarter was full of many changes in the office, so let's take time to update everyone.

Starting off is farewell to **Melanie Marotta**, **Don Slovarp** and **Flo Marshall**. MGSLP wishes them the best in their new endeavors.

Ted Broderick has been promoted to Lender Program Reviewer. Ted was previously a Claim Reviewer in the Post-Claims unit. **Marianne Crippen** has moved from Fiscal into the Post-Claims unit as a Claim Reviewer.

Darcie Henken and **Ruth Henry** have both received promotions. They moved from the Pre-Claims unit into Application processing.

Don Skidmore who was first employed temporarily by MGSLP has excepted a permanent position as Imaging Technician. Don comes to Montana from California, which suits him since he enjoys a variety of outdoor activities. Previously employed by the U.S. Marine Corps as an Avionics Technician, Don plans to attend college in the spring to pursue a criminal justice degree.

Post-Claims welcomes **Keith Carparelli** and **Ron Muffick** as Claims Investigators. Keith comes to MGSLP from Norwest Financial and adds to the fitness and outdoors enthusiasts in the office. Ron is a native of Helena and was employed by Blue Cross and Blue Shield of Montana. Ron likes to spend his free-time hiking, camping and fishing.

Donna Nyland is new to the Fiscal unit as an Accounting Clerk. A native Nebraskan, Donna also lived in Oregon and worked for the State Judicial Department. Donna's leisure time is filled with gardening, sewing, and crafts.

Shari Scott is our newest employee and will be working in the Customer Assistance Unit. Shari comes to our office from Western Federal Savings and is excited to be working at MGSLP. Horses and creek fishing are some of Shari's interests, in addition to spending time with her family.

Congratulations to **Mark Bryson** and his wife Mary who were blessed with a baby boy in December!

TRAINING WORKSHOP

The Department of Education will be presenting a 2 day workshop on the 1993-94 Delivery System and Reauthorization in Missoula. The dates of the workshop are March 29-30th at the Village Red Lion and will run all day. There is no charge for the workshop but registration is required. You may call the Department of Education at (202) 785-0453 for more information.

INCARCERATED STUDENTS

New Regulations now state that effective July 23, 1992, incarcerated students are ineligible for any Title IV loans. Prior regulations allowed an incarcerated student to receive Stafford loans if the student was scheduled to be unconditionally released by the beginning of the repayment period. According to the Department of Corrections in Montana, individuals in pre-release centers are still incarcerated inmates of Montana; they are not accepted for parole yet and, therefore, not eligible for Title IV loans.

MONTHLY INTEREST PAYMENTS FOR SLS/UNSUB LOANS

The following formula may be used to calculate the monthly interest payments for SLS and unsubsidized loans:

$$\text{Interest payment} = \frac{\text{principle} \times \text{interest rate}}{\# \text{ of days in the year}} \times \frac{\# \text{ of days}}{\text{in month}}$$

example: $\$14.97 = \frac{\$2625 \times .0694}{365} \times 30$

If you have further questions on monthly interest payments for applicable loans please contact Ted Broderick at 444-0368

LENDER UPDATE

Effective November 1, 1992, First Security Bank of Big Timber merged with American Bank of Billings. Their name and contact are as follows:

American Bank
P.O. Box 1066
Big Timber, MT 59011
Contact: Sherry Bjorndal

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING DECEMBER 31, 1992

T-Bill- 3.17

As the average 91 day T-Bill plus 3.25 or 3.10 was below 7% there will be no special allowance paid for FFEL loans for the quarter ending 12-31-92.

QUESTION AND ANSWER

Q - Are private educational loans considered estimated financial assistance for campus based or Stafford loan programs?

A - According to the 1992-93 Federal Student Aid Handbook page 2-44 the answer is "no".

" The law allows SLS, PLUS, ICL, Unsubsidized Stafford, state and private educational loans to substitute for the FC for the campus based and Stafford loan programs."

LOST AND FOUND

During the MGSLP workshop in Helena December 9th, someone left behind a hand-held calculator. If you are missing such a calculator please call Wendy at 444-0353 to claim it.

F.Y.I

The Montana Guaranteed Student Loan office will be closed all day February 23, 1993 for an office retreat. Please make note of this for your information.



UNTEED STUDENT LOAN PROGRAM
2500 Broadway
Helena, Montana 59620-3101

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Attn: Darlene
1515 E. 6th Ave.
Helena, MT 59620



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Volume XII, Number 1

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March 1993

GREETINGS FROM MGS LP

Spring finally seems to be here and is certainly a welcome sight. Helena has had some balmy weather - lots of water running down the streets, the grass showing through the snow, golf and other outdoor sports are in the air. My hands are getting itchy to tee it up. Maybe this year I'll improve my game, as they say.. "HOPE SPRINGS' ETERNAL"!

The 53rd legislature has made the turn, they are about two-thirds finished. I haven't seen much improvement for postsecondary education from the legislative halls. We just hope for the best and expect the worst.

Speaking of legislation... it looks as if President Clinton wants to implement a direct loan program by 1997. I don't believe it makes much sense to compare a pilot direct loan program to the Federal Family Educational Loan program if the direct loan program is an absolute certainty. National service is another topic that is high on the President's agenda. Again, it still makes more sense to try this program out on a few students and borrowers to see what the bugs will be. If Congress doesn't, then they will be micro-managing the program like they have the Federal Family Educational Loan program. The National service program will survive for 15 years and we'll end up scuttling it because the program becomes too much of a burden on the Federal deficit. I am beginning to believe that federal programs take on a life just like us when we are born. The difference is, most of us outlive the federal programs and are around to remember how things were, when a new one comes along. "It is not for us to know the reason why, JUST TO DO OR DIE." You may wonder why I am so cynical. I sincerely believe that the Montana Guaranteed Student Loan Program functions as effectually as any loan program in existence now or in the future. Defaults are down, defaults costs are not out of line relative to other loan programs, collections are increasing, and supplemental pre-claims assistance is successful. Most importantly, students have access to loans and every eligible student can get a loan in the amount they are entitled. With the new Unsubsidized Stafford Loan Program and the increased loan limits, students can borrow about as much as they can afford. If simplification is the real issue, I believe the educational institutions and the guarantee agencies can reach some accord. Maybe there is hope that differences can be set aside and productive discussions can reach reasonable solutions before student access is seriously damaged. Lest we forget the reason why the loan programs exist, STUDENTS use the funds to attend the educational institution of THEIR choice.

PLEASE RETURN

STAFF CHANGES

Just a quick update on the new employees joining the MGSLP family.

Our newest addition as Administrative Aide in the Post-Claims Department is Amy Fry, she replaced Jody Williams who accepted a position with MHESAC. Amy comes to Montana from Flagstaff, Arizona where she worked for Gore Manufacturing. Outdoor activities keep Amy's family busy but she also enjoys quiet time reading or doing needlework.

Lisa Justice has joined the Fiscal Area in the position of Administrative Aide. Lisa is a native of Helena and recently worked for a local Architect firm. She enjoys her new job even if she is now subject to her husband's daily fishing stories - Vince is one of our Aversion Specialists. Both Lisa and Vince enjoy the great outdoors and all the activities it offers.

In the area of Application Processing, Kandy Corson has accepted the job share Data Entry Operator position. Kandy has about 12 years experience doing similar work for the Idaho State Department of Transportation.

Welcome to MGSLP!

LOAN CONSOLIDATION

In the USA FUNDS Operations Bulletin dated March 1993, USA FUNDS states their policy is requiring lenders to delay the inclusion of any defaulted loan(s) in a new Federal Consolidation Loan. This policy is contrary to the Montana Guaranteed Student Loan Program's current loan consolidation policy. MGSLP has and will continue to guarantee Federal Consolidation loans which include a borrower's prior defaulted loan(s). MGSLP also allows a borrower to subsequently include his or her prior defaulted loan(s) in a new Federal Consolidation loan, as long as the prior loan(s) can be added within 180 days from the disbursement date of the new loan.

If you have questions please contact Ted Broderick at 444-0368

LATE DISBURSEMENTS

MGSLP's policy no longer requires lenders and schools to complete a Late Disbursement Form as long as the late disbursement is delivered to the student within 30 days of the end of the loan period. Students must have successfully completed the term for which the disbursement is given and these loans are still subject to Federal Regulations regarding loan eligibility at the time of disbursement. NOTE: MGSLP requires the loan application to be processed and guaranteed before the end of the loan period except in extenuating circumstances.

NO LONGER PROCESSING FFEL APPLICATIONS

The following Lenders have indicated to MGSLP that their institution will no longer be processing student loan applications:

First State Bank of Malta
Citizens Bank & Trust Co. of Big Timber
First National Bank of White Sulphur Springs
Mountain Bank of Whitefish
Glacier Bank (First Federal Savings) of Kalispell
First National Bank of Eureka
Flathead Bank of Bigfork
Valley Bank of Belgrade
First Valley Bank of Seeley Lake

Please contact Judy Opitz at 444-0380 if you have any questions.

NOTICE OF GUARANTEE

Effective April 1st and over the Summer, MGSLP will be mailing the borrower's copy of the Notice of Guarantee (NOG) directly to the borrower so (s)he will know immediately how much the loan was approved for, when the funds are expected to be disbursed, the amount of each disbursement, etc. We are hoping this will eliminate surprises for the student when (s)he shows up at the school to pick up the loan proceeds and the proceeds are not what was expected. There will not be any explanation on the NOG why the funds approved are different than what the student requested. We hope (in the future) to include an explanation on the NOG. If this is well received MGSLP will continue the service for Fall 1993.

D.E. INSTITUTIONAL PARTICIPATION DIVISION

MGSLP has recently been notified that the Department of Education Institutional Participation Division (IPD) has been inundated with requests for information from participating institutions. Unfortunately, IPD cannot continue to respond to the requests for information. Effective immediately, IPD asks that participating institutions address their questions to the State Guarantee Agencies. If you have questions pertaining to institutional participation, please contact Ted Broderick, Mary Slama or Arlene Hannawalt at the Montana Guaranteed Student Loan Program.

MONTANA GUARANTEED STUDENT LOAN PROGRAM CONTACTS

Here is an updated list of the MGSLP departments, staff and extensions:

Montana Guaranteed Student Loan Program (406) 444-6594

Administration-

Bill Lannan, Director ext. 0351
Arlene Hannawalt, Operations Manager ext. 0352
Betty Haight, Program Assistant ext. 0350
Wendy Kliment, Secretary ext. 0353
Mary Slama, Program Specialist (schools) ext. 0369
Ted Broderick, Program Specialist (lenders) ext. 0368
Tere Bledsoe, Administrative Aide ext. 0367
Don Skidmore, Imaging Technician ext. 0354

Fiscal-

Rosemary Harmon, Accounting/Fiscal Manager ext. 0360
Patty Davis, Accounting Specialist ext. 0361
Viki Garman, Accounting Clerk ext. 0362
Donna Nyland, Accounting Clerk ext. 0364
Lisa Justice, Administrative Aide ext. 0363

Application Processing-

Judy Opitz, Supervisor ext. 0380
Peggy Lamb, Disbursement Coordinator ext. 0381
Sandy Driessen, Program Assistant ext. 0383
Donna Harris, Accounting Clerk ext. 0382
Darcy Henken, Application Processor ext. 0387
Ruth Henry, Application Processor ext. 0389
Heather Johnson, Data Entry Operator ext. 0385
Kandy Corson, Data Entry Operator ext. 0384

Pre-Claims/Customer Assistance-

Meg Foutch, Supervisor ext. 0370
Jennifer Viets, Customer Assistance ext. 0372
Beth Kenney, Program Assistant ext. 0371
Shari Scott, Administrative Clerk ext. 0373
Eric Johnson, Aversion Specialist ext. 0378
Vince Justice, Aversion Specialist ext. 0376
Mike Kecskes, Aversion Specialist ext. 0374
Marianne Meegan, Aversion Specialist ext. 0379
Mike Stebbins, Aversion Specialist ext. 0375
Leslie Wallem, Aversion Specialist ext. 0377

Claims Management-

Mark Bryson, Supervisor ext. 0390
Marianne Crippen, Claim Reviewer ext. 0397
Wendy Plese, Claim Reviewer ext. 0398
Donna Waters, Claim Reviewer ext. 0399
Keith Carparelli, Claim Investigator ext. 0394
Ron Muffick, Claim Investigator ext. 0392
Sally Schuman, Claim Investigator ext. 0396
Becky Shaw, Claim Investigator ext. 0393
Amy Fry, Administrative Aide ext. 0391
Janice Hensel, Paralegal ext. 0328
Cyndy Munson, Administrative Aide ext. 0339

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING MARCH 31, 1993

T-Bill- 3.05

As the average 91 day T-Bill plus 3.25 or 3.10 was below 7% there will be no special allowance paid for FFEL loans for the quarter ending 3-31-93.

UNSUBSIDIZED LOANS

In December of 1992 MGSLP began to guarantee unsubsidized student loans, and we have encountered a few problems, so please be aware of the following when processing loan applications:

1. Until the common application has been approved and is available, the existing applications must be used with the Request for an Unsubsidized Loan attached.
2. The unsubsidized loan amount may be used in place of the family contribution amount and in most instances cannot be more than the family contribution or grade level amount limit. The only exception is when the subsidized eligibility is less than \$100. This eligibility can be added to the EFC as long as it does not exceed grade level limits.
3. On the student loan application in the School Section II, number 31 (difference of cost minus aid and family contribution) the amount should be a zero or a negative amount. If the amount is less than \$100 it will be rolled into the unsubsidized loan amount.
4. If number 31 is completed with an amount above zero that loan will guarantee as a subsidized, even is a yes for unsubsidized is entered in WHIZKID (application processing software), unless the amount is less than \$100, or the school has entered 0 in box 32 - Reduced Stafford eligibility.
5. If the borrower is eligible for subsidized and unsubsidized loans, indicate on the loan application the subsidized amount in number 32 (stafford eligibility) and unsubsidized in number 34 before the FAO signature.

If you have questions please contact Judy Opitz at 444-0380

LENDERS

If your institution is holding a Montana Guaranteed Student Loan(s) that has lost the guarantee on it, please contact Meg Foutch in our office. MGSLP will document that the borrower is ineligible to receive further Title IV funds until the total debt is paid-in-full to the lending institution. This ineligible status is also communicated to 11 other state agencies to prevent future loan applications being guaranteed for the borrower.

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Attn: Darlene
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June 1993

GREETINGS FROM MGS LP

The Summer of '93 will be a little hectic in Montana. The state executive branch is planning for a possible special legislative session in response to a petition drive to void the income tax increase. The income tax was a fall-back position in case the voters defeated the sales tax. Since the sales tax was defeated by the 3:1 margin, the income tax was to provide sufficient revenues to cover a \$75-\$100 million deficit. If the petition is successful, and the political analysts believe it will be, the legislature will have to rescind appropriations in tax dollars. Higher education is targeted for a significant portion of the rescission.

In Washington, D.C. the House Senate conference committee will be working on significant legislation to reduce the federal deficit. Included in that deficit reduction will be student loans. Will there be direct loans? More than likely yes. What impact will it have on Montana student borrowers? There will be some impact but it is not possible to measure now, because congress must yet decide if the direct loan demonstration program or a phased-in direct loan program will be implemented in 1994-95. Regardless of their decision, there may be lenders who will discontinue participation or reduce student access. The deficit reduction act will also lower returns on capital investment to lenders and reduce income to guarantee agencies. Depending on the magnitude of those reductions, Montanans may experience less loan access and fewer services from guarantee agencies.

If you combine Montana rescissions with federal cutbacks, the impact on the Montana student may be critical -- staff reduction in financial aid offices, reductions in services provided by guarantee agencies, fewer participating lenders coupled with higher tuition cost. The 1993-94 academic year will be a challenge for all of us. We take pride in our profession and will do whatever is necessary to address the needs of students. I suggest the student loan industry pull together, coordinate and collaborate during this period of distress. Our profession exists because students need assistance. In difficult economic times, the need is magnified. Along with our programmatic shortfalls, we can at least listen, advise, and encourage the students, and provide as much financial assistance as we can.

PLEASE RETURN

CONGRATULATIONS

Best wishes go to Meg and Shawn Foutch who were blessed with a baby boy, Jacob Michael, on June 29th. Meg will be on maternity leave for 6 weeks. Marianne Meegan will temporarily supervise Pre-claims and Customer Assistance.

PLUS CREDIT CHECKS

Credit checks must now be completed on applicants who are seeking Federal PLUS loans on or after July 1, 1993. To assist lenders with this requirement, the Montana Guaranteed Student Loan Program is offering, at no cost, a credit check service that will be included in the loan guarantee process.

Lenders who elect not to utilize MGSLP's service will be responsible for performing the credit check prior to disbursement of a Federal PLUS loan and maintain a copy in the borrower's file. Failing to secure a credit check prior to the PLUS loan disbursement will result in a lost guarantee on the loan from MGSLP.

Please contact Ted Broderick at 444-6594 for more information on the credit check service.

EXIT COUNSELING REQUIREMENTS

Recent clarification has been received on requirements that certain information must be obtained from borrowers during exit counseling and must now be forwarded, within 60 days to the Montana Guaranteed Student Loan Program. Required information includes the following:

1. the borrowers potential new employer,
2. new updated permanent address for the borrowers, and
3. name, address and phone number for the borrower's next of kin.

Schools are required to collect and forward this information on borrowers with enrollment periods beginning on or after July 1, 1993. Please send the information to Judy Opitz at MGSLP.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING JUNE 30, 1993

T-Bill- 3.05

As the average 91 day T-Bill plus 3.25 or 3.10 was below 7% there will be no special allowance paid for FFEL loans for the quarter ending 6-30-93.

NEW INTEREST RATES

Effective July 1, 1993 the variable interest rates for Federal Stafford, SLS and PLUS loans are as follows:

- Federal Stafford variable interest rate for the period July 1, 1993 through June 30, 1994 will be 6.22%.
- Federal SLS and PLUS loans variable interest rates for loans made prior to October 1, 1992 will be 6.79% for the period of July 1, 1993 through June 30, 1994.
- Federal SLS and PLUS loans variable interest rates for loans made on or after October 1, 1992 will be 6.64% for the period of July 1, 1993 through June 30, 1994.

If you have any questions, please contact MGSLP at 444-6594.

ELECTRONIC TRANSMISSION OF SCHOOL INFORMATION

The Montana Guaranteed Student Loan Program is currently in the testing stages of developing the ability for schools to submit borrower and student information to MGSLP electronically. This process will eventually save the schools many hours of duplicative work and reduce the number of data entry errors due to inability to read the borrower name and/or social security number. Two schools are in the testing program and they are Miles Community College and Montana State University. Once the testing phase has been completed, other Montana schools will have access to this program.

When MGSLP receives the application/promissory note the loan will be approved and guaranteed for the lesser of the borrower requested amount, the school certified eligibility amount, or the lender approved amount. The educational institution is liable for determining and certifying the borrower's maximum eligibility. MGSLP is liable for ensuring the loan is not guaranteed above the maximum eligibility or the borrower's requested loan amount.

The Notice of Guarantee (NOG) which becomes the addendum to the Promissory Note will disclose most of the information that is normally provided in the school section of the application and lenders must keep a copy of the NOG attached to the original promissory note.

The electronic format has been developed to handle the common application which will go into effect on January 1, 1994.

If you have questions or concerns about the electronic process, please contact Ted Broderick, Judy Opitz or Arlene Hannawalt at 444-6594.

COMMON APPLICATION APPROVED BY D.E.

The Common Application form for the Federal Stafford subsidized and unsubsidized and the Federal SLS has been approved by the Department of Education. MGSLP will have the forms available for use in mid September. Its use will be mandatory effective January 1, 1994.

UNSUBSIDIZED STAFFORD LOAN INTEREST PAYMENTS

Borrowers of Unsubsidized Federal Stafford Loans have the option of either making regular payments or having the interest capitalized and added to the principal loan balance. When establishing the interest payment schedule for billing, lenders must follow the procedures outlined below:

- Interest begins to accrue the date of the first disbursement of the Unsubsidized Federal Stafford Loan.
- The lender must establish a regular, consistent, monthly or quarterly payment schedule based on the needs of the borrower.
- The billing option, agreed upon by both parties, must be applied consistently throughout the life of the loan.
- If billing quarterly, the lender can either bill the borrower based on:
 - a true calendar quarter (March, June, September and December) even though the first interest bill may not reflect a full 90 days of interest (depending on the disbursement date); or
 - a 90-day cycle beginning on the original disbursement date.
- After being billed, the borrower must be allowed 30 days in which to pay the interest due.
- If the borrower makes an interest payment for more than the scheduled payment amount, the lender should first apply the payment to interest accrued through the date the payment is received. Any remaining amount should then be applied to the principal amount of the loan.
- If the interest is not paid when due, language on the Request for Unsubsidized Federal Stafford Loan allows lenders to automatically capitalize the past due interest and add it to the principal outstanding balance of the loan to bring the account current.
- Lenders are prohibited from capitalizing interest more frequently than quarterly.

NEW FEDERAL ADDENDUM

All Federal Stafford, SLS and PLUS loans with a disbursement date on or after July 1, 1993, lenders must send the attached new Federal Addendum with the Notice of Guarantee to the borrower at the time of disbursement. MGSLP will include the addendum with the first disbursement for lenders on our disbursement service. To receive a supply of these addendum forms, please contact Tere Bledsoe at 444-0367.



"No, not there, please. That's where I'm going to put my head."

ADDENDUM

(Read this before accepting your loan.)

new law called the Higher Education Amendments recently took effect. This law changed the name and terms of the Robert T. Stafford Student Loan program, now called the Federal Family Education Loan (FFEL) Program, includes Federal Stafford Loans, Federal Supplemental Loans for Students (SLS), and PLUS (Parent) Loans.

You accept the terms described below if you accept your loan. You accept your loan if you sign your loan check authorizing your school to release funds that has electronically transferred to the school for this true even if you previously received information different than what is described on this form. If you agree to accept the terms described on this form:

sign your loan check. Request, in writing, your loan check be returned to your lender and your loan be

your loan has been or will be disbursed by electronic transfer, do not sign the statement authorizing your lender to transfer your loan proceeds to your student account. In writing, that the funds be returned to your lender can be canceled. If you have already signed an Funds Transfer authorization, inform your school, that you do not want to accept the loan.

YOU ARE RECEIVING A LOAN THAT MUST BE repaid.

Changes Affecting the Federal Family Education Loan Program

Minimum Annual Payment: The total payments that you are expected to make during any year of any repayment of your Federal Family Education Loan(s) may not be less than \$600 or the amount of interest that is due and on those loans, whichever is more. FFEL Program loans are not eligible for the special minimum payment previously available for married couples.

Borrower Deferments: If you are a "new" borrower — a borrower who on the date of application for a loan has no outstanding FFEL Program loans which were made prior to July 1, 1993 — and your loan is disbursed on or after July 1, 1993, you are eligible only for the deferments covering:

1. During which you are pursuing at least a half-time study as determined by an eligible institution.

2. During which you are pursuing a course of study in a graduate fellowship program (inside or outside the United States) or an eligible rehabilitation training program for disabled individuals.

3. During three years during periods in which you are unemployed and unable to find full-time employment.

4. During three years for any reason which the lender determines under federal regulations has caused, or will cause, you to have an economic hardship.

Economic hardship exists when you are working full time and are earning an amount that does not exceed the minimum wage or the poverty line for a family as determined in accordance with 673 (2) of the Community Service Block Grant Act or if you meet other criteria established in federal regulations.

3. **Prior Borrower Deferments:** Deferment provisions that were in effect before July 1, 1993, will continue to apply to borrowers with FFEL Program loans made before July 1, 1993, for the life of the borrower's loan.

4. **Extension of Deferments:** If you receive a deferment on any of your loans, the deferment will apply to the total amount of all of your non-defaulted loans held by the same lender, unless you request otherwise. If you have loans with more than one lender, you must contact each lender to obtain deferment on all of your loans.

5. **Forbearance for Medical Interns/Residents:** If you are a medical intern or resident, you are eligible for a forbearance if you request it and have exhausted all eligibility for the internship deferments. If the interest that accrues during your forbearance is capitalized, the principal amount you owe will increase.

6. **Forbearance for Borrowers Generally:** If you request and are granted a forbearance, you will receive a forbearance of all payments unless you request an extension of time for making payments or permission to make smaller payments than were previously scheduled. If the interest that accrues during your forbearance is capitalized, the principal amount you owe will increase.

7. **Administrative Forbearances:** Your lender may automatically grant you forbearance to bring your account current if you are delinquent at the time an authorized deferment is granted or if you are less than 60 days delinquent on a loan at the time the loan is sold or transferred. This may result in the capitalization of interest, which will increase the principal amount you owe.

8. **Loan Sales:** Your loan may be sold, transferred or assigned to another holder. If your loan is sold, transferred, or assigned, and the address to which you send payments has changed, you will be notified of the name and address to which you must send subsequent payments and communications. Your rights and responsibilities and those of your lender will not change.

9. **Consolidation of Debts:** A Federal Consolidation Program is available under which you, or your spouse and you, may consolidate the following loans: FISL, Federal Stafford, Perkins, Federal PLUS (student), Federal PLUS (parent loans made on or after 10-17-86), Federal SLS, Federal Direct, Health Professions Student Loans (HPSL) and Health Education Assistance Loans (HEAL). The minimum amount of a Consolidation Loan is \$7,500.

10. **Credit Bureau Reporting:** Information concerning your loan, including the date(s) and amount(s) of disbursement(s), will be reported to a national credit bureau.

11. **Defaults:** If you default on an FFEL Program loan:

- You may be sued to collect the loan and have a judgment rendered against you.
- Your default will be reported to a national credit bureau.
- You will be liable for substantial collection costs.
- Your federal and state income tax refunds may be withheld to pay the debt.
- Your wages may be garnished (withheld) to pay the debt.
- You will be ineligible for additional federal student financial aid, as well as assistance under most federal benefit programs.

- The renewal of your professional license may be denied.

12. **Repayment of Your Loan:** For a Stafford Loan, the repayment period begins on the day following the end of your grace period. For an SLS Loan, the repayment period begins on the date of the last disbursement of the loan. For the purposes of calculating the 10-year maximum repayment period, for an SLS Loan the period shall commence at the time the first payment of principal is due from the borrower. For a PLUS Loan, the repayment period begins on the date the loan is disbursed.

13. **Address Information from State Licensing Boards:** If you are ever licensed for professional practice or service in any state, the state board that licenses you is permitted to provide your address to your guaranty agency, if that agency ever requests it because your location is unknown or unavailable to that agency.

14. See Chart A "Annual Loan Limits" on Reverse side.

Changes Affecting Federal Stafford Loans

1. Interest Rate:

a. If you have no outstanding loans under the Federal Family Education Loan Program and you are borrowing a Federal Stafford Loan for which the first disbursement is made on or after October 1, 1992, your loan's interest rate is variable and may change every July 1 but will never exceed 9%. If you meet these conditions, the interest rate that applies to your loan until July 1, 1993, is 6.94%. After July 1, 1993, the new interest rate that applies to your loan will be available from your lender.

b. If you already have Stafford Loans, your interest rate on new loans will be the same as on your existing loans; but under certain circumstances, you may be eligible for a partial rebate of interest.

c. If you are a first time Federal Stafford Loan borrower with a first disbursement made on or after October 1, 1992 and you have outstanding Federal SLS, PLUS, or Consolidation Loan(s), the interest rate on your loan will be an 8% fixed rate (a fixed interest rate does not change).

Unsubsidized Federal Stafford Loans

1. **New Program:** The new law authorizes a program of unsubsidized Federal Stafford Loans for students who do not qualify, in whole or in part, for subsidized Federal Stafford Loans. The unsubsidized loan may be made for periods of enrollment beginning on or after October 1, 1992. If your loan is unsubsidized, this fact will be disclosed to you by your lender. The terms of your unsubsidized loan are the same as the terms for subsidized Stafford Loans (including those described earlier) except as described below:

a. **Interest Payment:** The government does not pay interest on your unsubsidized Federal Stafford Loan. You must pay all of the interest that accrues on this loan during the time you are enrolled in-school, during your grace period, and during periods of authorized deferment and forbearance. There are two ways for you to pay interest during these periods:

- i. you may make monthly or quarterly payments to your lender, or
- ii. you and your lender may agree to add your interest to the principal of your loan, but no more often than quarterly (this

is called capitalization). The cost of capitalization to you is illustrated in Chart B. If you do not make an interest payment as scheduled, your interest will be capitalized.

b. Federal Origination Fee/Insurance Premium: You will be charged a 6.5% origination fee/insurance premium on each disbursement of your unsubsidized Federal Stafford Loan. This fee will be deducted from each disbursement and paid to the federal government.

Changes Affecting Federal Stafford and SLS Loans

1. Graduated or Income Sensitive Repayment: If you are a "new" borrower, you may request an income-sensitive or graduated repayment schedule from your lender. A new borrower is one who on the date of application for a loan has no outstanding FFEL Program loans which were disbursed prior to July 1, 1993, and the new loan is disbursed on or after July 1, 1993.

2. Federal Collection: Should you default on your Federal Stafford or SLS Loan, and should it become payable to the federal government, you may be required to repay your loan debt under an income-contingent repayment plan. This plan, established by regulations to be issued by the United States Department of Education, may result in your having to repay more than the principal and interest on your loan(s).

14. Annual Loan Limits

Chart A

Borrower's Academic Level and Program Length	Federal Stafford Loan (Subsidized and Unsubsidized)	Federal SLS Loan
First Year Undergraduate Student		
one academic year in length	\$2,625	\$4,000
2/3 academic year in length	\$1,750	\$2,500
1/3 academic year in length	\$875	\$1,500
Second Year Undergraduate Student		
one academic year in length	\$3,500	\$4,000
2/3 academic year in length	\$2,325	\$2,500
1/3 academic year in length	\$1,175	\$1,500
Third Year and Remaining Undergraduate Student		
one academic year in length	\$5,500	\$5,000
2/3 academic year in length	\$3,675	\$3,325
1/3 academic year in length	\$1,825	\$1,675
Graduate/Professional Student	\$7,500*	\$10,000
Aggregate Loan Limits		
Undergraduate	\$23,000	\$23,000
Graduate	\$65,000	\$73,000

* \$8,500. Effective for loans with periods of enrollment on or after 10/1/93.

♦ No annual or aggregate limit for PLUS (parent) loans. Effective for loans with a first disbursement on or after 7/1/93.

Changes Affecting Federal PLUS Loans

1. Adverse Credit History: If you are borrowing a Federal PLUS Loan that will be disbursed on or after July 1, 1993, you are subject to a credit evaluation based on criteria established in federal regulations. Borrowers with an adverse credit history will not be eligible for a PLUS Loan.

2. Discharge of Federal PLUS Loan When Student Dies: If you are a Federal PLUS borrower and the dependent student for whom you borrowed dies, your debt will be discharged.

3. Federal PLUS Loan Disbursement: All Federal PLUS Loans must be disbursed by either a check sent to the eligible school that is copayable to the school and the parent borrower or by electronic transfer of funds (EFT) from the lender to the eligible school.

Changes Affecting Federal SLS and PLUS Loans

1. Interest Rate: If you are borrowing a Federal SLS or PLUS Loan the first disbursement of which is made on or after October 1, 1992, your loan's interest rate will be 7.36% until July 1, 1993. After that date it will vary every July 1, but will never exceed 11% if it is an SLS Loan or 10% if it is a PLUS Loan. This interest rate applies to your new loan even if you have outstanding loans at different interest rates.

2. Federal Origination Fee: You will be charged a 5% origination fee on each disbursement of your Federal PLUS or SLS Loan. This fee will be deducted from each disbursement and paid to the federal government.

3. Principal Payment: If you are borrowing a Federal SLS Loan and you also have an outstanding Federal Stafford Loan, you are eligible to postpone the repayment of your SLS Loan's principal until the expiration of your Stafford Loan's grace period. This option may involve the capitalization of interest. Contact your lender for further information. The estimated cost of capitalization is illustrated in Chart B on this form.

Chart B

The purpose of this chart is to help you estimate the amount of interest that would accrue on your loan every month so that you can estimate how much would be added to your loan's principal if you and your lender agree to capitalize interest as described on this form.

Approximate Monthly Accrued Interest if Interest Rate is:

Principal	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%
\$500.00	\$2.50	\$2.92	\$3.33	\$3.75	\$4.17	\$4.58
\$1,000.00	\$5.00	\$5.83	\$6.67	\$7.50	\$8.33	\$9.17
\$1,500.00	\$7.50	\$8.75	\$10.00	\$11.25	\$12.50	\$13.75
\$2,000.00	\$10.00	\$11.67	\$13.33	\$15.00	\$16.67	\$18.33
\$2,500.00	\$12.50	\$14.58	\$16.67	\$18.75	\$20.83	\$22.92
\$3,000.00	\$15.00	\$17.50	\$20.00	\$22.50	\$25.00	\$27.50
\$3,500.00	\$17.50	\$20.42	\$23.33	\$26.25	\$29.17	\$32.08
\$4,000.00	\$20.00	\$23.33	\$26.67	\$30.00	\$33.33	\$36.67
\$4,500.00	\$22.50	\$26.25	\$30.00	\$33.75	\$37.50	\$41.25
\$5,000.00	\$25.00	\$29.17	\$33.33	\$37.50	\$41.67	\$45.83
\$5,500.00	\$27.50	\$32.08	\$36.67	\$41.25	\$45.83	\$50.42
\$6,000.00	\$30.00	\$35.00	\$40.00	\$45.00	\$50.00	\$55.00
\$6,500.00	\$32.50	\$37.92	\$43.33	\$48.75	\$54.17	\$59.58
\$7,000.00	\$35.00	\$40.83	\$46.67	\$52.50	\$58.33	\$64.17
\$7,500.00	\$37.50	\$43.75	\$50.00	\$56.25	\$62.50	\$68.75

The advantage of capitalizing interest is that you would not be required to make interest payments during in-school, grace, deferment or forbearance periods. The disadvantage is that you will pay more in interest charges over the life of your loan because your interest charges will be added to your principal balance. Your monthly repayment amount will be higher if you choose to capitalize.

For example, if you owe \$500.00 in principal at an interest rate of 6.0%, then approximately \$2.50 in interest would accrue on your loan every month. If you and your lender agree to capitalize your interest on a quarterly basis (every three months), approximately \$7.50 would be added to your \$500.00 principal balance. As a result, at the end of one quarter, you would owe, and interest would accrue on, \$507.50 in principal.

Or, if you owe \$4,000.00 in principal at an interest rate of 11.0%, then approximately \$36.67 in interest would accrue on your loan every month. If you and your lender agree to capitalize your interest on a quarterly basis (every three months), approximately \$110.01 would be added to your \$4,000.00 principal balance. As a result, at the end of one quarter, you would owe, and interest would accrue on, \$4,110.01 in principal.

Contact your lender if you have questions or need more information.

*the document
or
collection
of
papers?*

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Volume XII, Number 3

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September 1993

GREETINGS FROM BILL LANNAN

For certain, this past summer was "helter-skelter". I thought when Congress completed their work on reauthorization we would simply await the regulatory process of updating statutory modification and new legislation. What we ended up with was substantive legislative changes in the student loan programs included in a deficit reduction bill from the Clinton Administration. Every player in the Federal Family Education Loan Program was affected. The Federal Direct Loan Program is being implemented during a five-year phase-in period extending from 1994-95 to 1998-99. At the conclusion of the phase-in period at least 60% of the volume will be through direct lending. David Longanacker, Assistant Secretary of Education, made a comment at a recent conference that he expects 100% of the school to be participating in the Direct Loan Program by 1999.

There is a great deal of speculation concerning various players, i.e., lenders, guarantee agencies, secondary markets and schools. Everyone likes to speculate; however, I do not know anyone who actually knows what will transpire or when. You may be wondering what is going to happen to the Montana Guaranteed Student Loan agency. For the immediate future it will be business as usual. We will guarantee loans made by Montana lenders for students attending eligible Montana school and eligible schools out-of-state. We are still developing tools to make the FFELP program run more effectively and efficiently. We continue to provide training to school and lender personnel, assist delinquent borrowers recommended to MGSLP, pay default claims, and collect from defaulted borrowers. We will keep the student loan industry in Montana apprised of new regulations or changes in the FFELP or FDLP programs as they come. If you wish, you can certainly contact MGSLP for information.

PLEASE RETURN

I would like to congratulate our staff in the guarantee agency for the following accomplishments:

1. MGSLP's annual default rate was reduced this past year to 2.96%;
2. In-house default collections have increased from \$150,000 in 1992 to \$467,000 in 1993;
3. Delinquent borrowers referred to MGSLP by lenders have been brought current 93% of the time;
4. Default claims have been paid on the average of 60 days after receipt of the claim;
5. The compliance unit has reviewed 9 lenders and 10 postsecondary institutions;
6. The guarantee agency has sponsored 12 training programs;
7. In excess of 3000 phone calls per month have been received and resolved from students, parents, lenders, and schools;
8. Approximately 26,000 applications were processed last year amounting to approximately \$86.4 million;
9. Approximately 17,000 checks were issued to student/parent borrowers by the disbursement unit; and
10. The status of approximately 108,000 borrowers accounts were maintained in a timely manner.

CONGRATULATIONS

Best wishes go to Sally and Jauque Schuman with a new addition to the family, Keenan Chase who was born August 1st. Shari and Don Scott also were blessed with Kyle Jerry on August 24th. Rachel Andersen, born July 30th to the proud parents of Mike and Linda Kecskes. Congratulations to all three families.

TEMPORARY STAFF

MGSLP has two temporary staff members working in Application Processing, Sharon Marcoff and Janice Frizzell. We extend our application for all the work you do and the help you give. Thank you!

3 AND 10 DAY RULE

A reminder to the educational institutions that have borrowers who are starting in the spring and these students are subject to 30 day delay, the school should request the first disbursement in late January. Lenders are not able to begin billing interest from the Department of Education on subsidized loans until three days after the check has been disbursed or, for first-time borrowers, for first disbursements, lenders cannot bill interest no more than 10 days before the start of on-campus registration. MGSLP hopes that schools will cooperate with lenders by not requesting first disbursements any sooner than necessary.

CHECK RETURNS

When educational institutions are returning checks either for re-issue or cancellation, the school needs to notify the applicable lender of the change if the check is being sent back to MGSLP. This will be of great assistance to all parties involved.

NATIONAL STUDENT LOAN DATA SYSTEM

A National Student Loan Data System is being developed to assist in maintaining a clearinghouse for borrower information. The National Student Loan Data System anticipates having file specifications available for schools in February 1994. Guarantee agencies are to begin reporting data to the NSLDS in April 1994. The contractors will be providing training on how to access and use the NSLDS in the spring of 1994. Schools and guarantee agencies will be reporting to the NSLDS on a weekly or monthly basis. Lenders will be reporting borrower data to guarantee agencies on a quarterly basis. Guarantee agencies will be responsible for reporting the lender data to NSLDS with their regular submissions. If you have further questions on NSLDS, please contact Arlene Hannawalt at 444-6594.

LOOKING AHEAD

The Montana Guaranteed Student Loan Program office will be closed for the following holidays in 1993:

November 25-26, 1993- Thanksgiving Day and the day after
December 24, 1993- Christmas Day
December 31, 1993- New Year's Day Holiday

BROCHURES AND APPLICATIONS

The Federal Family Education Loan Programs and Repaying Your Federal Family Education Loan brochures have been updated and are available for those who would like to request a supply. The new Common Applications for Stafford Subsidized/Unsubsidized and SLS should be available by the end of October. Remember that the old loan applications are still effective until December 31, 1993 and please do not throw out the old Stafford applications if you plan not to use them up to the December date. Contact MGSLP and we will take them. PLUS applications will still be in effect until the new Common PLUS application is developed. Place orders through Tere by using the blue order form.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING SEPTEMBER 30, 1993

T-Bill- 3.08

As the average 91 day T-Bill plus 3.25 or 3.10 was below 7% there will be no special allowance paid for FFEL loans for the quarter ending 9-30-93.

CLARIFICATION

There had previously been some confusion about if a FFELP loan borrower had to be 18 years of age in order to borrow from the loan programs. After further research it is found that a borrower does not have to be 18 years old in order to borrow. Please make note of this and MGSLP hopes this has not created too much confusion.

FLAG LENDERS

The following is an updated list of MGSLP FLAG lenders. Please update your records as necessary.

First Interstate Bank of Missoula	806971
First Bank	830251
Norwest Bank	830670
Bank of Montana	830674
Montana Banks (Billings, Bozeman Butte, So. Missoula are now under Bank of Montana)	
First Security Bank of Miles City	806931
First National Bank of Lewistown	806957
First State Bank of Stevensville	806978
First State Bank of Froid	806981
First Interstate Bank of Kalispell	807010
First United Bank of Sidney	825552

* All above lenders participate in PLUS/SLS Program.

Mail FLAG applications to: Montana GSL Program
Application Processing
P.O. Box 8010
Helena, MT 59604-8010

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Volume XII, Number 4

December 1993

GREETINGS FROM BILL LANNAN

December 31, 1993, marks the close of another year. At my age the years seem to shorten more and more. I wonder why? Maybe I am just moving slower. The new year will usher in some very interesting challenges for the guarantee agency. You have read in the newspapers and viewed on television, the introduction of the Federal Direct Student Loan Program which will be in effect July 1, 1994. Montana State University is one of the educational institutions that has been selected to participate. In addition, Reauthorization of the Higher Education Act placed additional burdens on the private lenders participating in the Federal Family Educational Loan program. The combination of the additional cost for lenders to participate, and the direct loan program, have caused a number of lenders to withdraw their participation. There will be a sufficient number of lenders for student borrowers to access Federal Family Educational loans, but we will all be trying to hold expenditures down. The guarantee agency has decided to cut back on a number of services that we have provided in the past. This newsletter is one item that will be discontinued. The December edition will be our last publication. Any communication that warrants mass distribution to our clients will be done via a memorandum to those clients. Training programs will be handled on an "as need basis". Vacancies at the guarantee agencies will be examined as they occur. Vacant positions will be filled only if those positions cannot be merged into an existing position and/or it is determined that the work load would require a full-time employee and the expertise is not available on staff. I have asked staff members to suggest ways we can reduce our expenditures. These actions are not desirable nor are they pleasant. The integrity of the Federal Family Education Loan Program must be maintained.

Betty Haight, my administrative aide for the past 16 years, retired December 21, 1993. What a happy occasion for Betty. I hope you will join me in wishing Betty many happy and care-free days during her retirement years. She has been a tremendous asset to me, the University System, and MGS LP. We have scheduled a retirement party for Betty on the evening of January 29, 1994 at Frontier Town. We hope you will be able to attend.

PLEASE RETURN

STAFF UPDATE

1993 ended with some changes in the MGSLP staff. We said farewell to Marianne Crippen and Beth Kenney, both accepted positions with MHESAC. Marianne Meegan moved from the Pre-claims unit into the Post-Claims unit where she replaced Marianne Crippen as a Claim Reviewer. New to the MGSLP staff is Janet Riis; she has filled the Customer Assistance position vacated by Beth Kenney. Janet is from Helena and is a 1993 graduate of Carroll College. Skiing, golfing and photography are a few of Janet's favorite activities when she is not assisting borrowers. Welcome Janet.

CONGRATULATIONS

Best wishes to Donna and Scott Harris who were blessed with a daughter, Sarah Ann, born on November 9th. Congratulations!

ELIGIBLE LENDER POLICY

Effective January 1, 1994, MGSLP has revised its policy pertaining to the definition of an eligible lender. The policy restricts participation in the Montana Guaranteed Student Loan Program to lending institutions that are located in or have a branch office within the state of Montana. The Montana Guaranteed Student Loan Program is committed to maintaining a strong and successful FFEL program in the State and feels that by limiting the number of lending institutions, the process will be simplified for borrowers and schools. If you have questions please contact Ted Broderick at 444-0368.

1994-95 COMMON APPLICATION

The 1994-95 Common Loan Application has been submitted to the Department of Education for approval. With timely approval, the applications should be available by April 1994. It has been stated that 1994-95 common application will have to be used for loans being certified for the 1994-95 academic year. However, The Department of Education has indicated it may allow school to package aid for 1994-95 using the current Stafford application, if necessary. An addendum will be required should this occur. In addition, all Stafford Loans with the first disbursement on or after July 1, 1994 with enrollment periods inclusive of July 1, 1994, will have variable interest rates. Even borrowers who have outstanding Stafford Loans at different interest rates will have variable rates on the new loans. If you have questions regarding the 1994-95 common application please contact Arlene Hannawalt at 444-0352.

OVERAWARDS

MGSLP has noticed some recent instances of borrower overawards. They have been the result of students transferring to a different school during the school year. The U.S. Department of Education has placed the responsibility for monitoring annual loan limits on the educational institutions. It is the educational institutions responsibility to prevent overawards by verifying the borrower's financial aid information prior to awarding student loans. In the past, MGSLP reduced or denied loans that would have exceeded annual loan limits within a 211 day time period. However, with the controversy over the 7 month rule, the edit is no longer available on the MGSLP system. If you have questions, please contact the Applications Unit at 444-6594.

LENDER ORIGINATION FEES

The 1993 Budget Reconciliation Act requires lenders to pay a one-half (.5) percent origination fee on all disbursements of any Federal Family Education Loan Program (FFELP) loan made on or after October 1, 1993 (a loan is considered "made" on the date of the first loan check). The new fee applies to Federal Subsidized/Unsubsidized Stafford Loans, PLUS, SLS, and Consolidation Loans. Lenders will report the fee on the Lender's Interest and Special Allowance Request and Report (Form 799). The fee will be deducted from the interest and special allowance payment to the lender.

EXAMPLE 1: If Mary's first disbursement was made on October 10, 1993 and the second disbursement is scheduled to be made on January 8, 1994, both disbursements are subject to the new one-half (.5) percent lender origination fee.

EXAMPLE 2: If Joe's first disbursement was made on September 25, 1993 and the second disbursement is scheduled to be made on December 12, 1993, neither disbursement will be subject to the new one-half (.5) percent origination fee.

The Department of Education requests lenders delay in reporting the new fee until the March 1994 quarter. An updated version of the 799 form is scheduled to be distributed for the March 1994 quarter. Lender origination fees due on loans originated during the December 1993 quarter will need to be reported as adjustments. The Department of Education recently issued a Dear Colleague Letter 93-L-162 which explains the changes in reporting requirements as a result of the new legislation. If you did not receive a copy of the letter, please contact MGSLP.

For additional information, or clarification on this new provision, please contact Ted Broderick at (406) 444-0368.

SPECIAL ALLOWANCE RATES FOR QUARTER ENDING DECEMBER 31, 1993

T-Bill- 3.14

As the average 91 day T-Bill plus 3.25 or 3.10 was below 7% there will be no special allowance paid for FFEL loans for the quarter ending 12-31-93.

1993 FINANCIAL AND PROGRAM HIGHLIGHTS

During the 1993 federal fiscal year of October 1, 1992 through September 30, 1993, MGSLP again achieved record levels in new loan guarantees. The fiscal year default rate continued to decline, a trend we've maintained for the past four years, and loan recovery levels again increased for the forth consecutive year.

Some key financial and statistical highlights follow:

During federal fiscal year 1993 MGSLP guaranteed \$70.3 million in new loans, net of cancelled and unconsummated loans. This represents a 16 percent increase in the volume of new loans guaranteed.

MGSLP guaranteed consolidated loans valued at \$10.9 million in 1993.

MGSLP had an outstanding loan portfolio of approximately \$325.6 million as of September 30, 1993, not including default claims purchased by the agency. The agency's reserve ratio as of this date was 1.91 percent.

Of the total loan volume guaranteed in 1993, 88 percent went to students attending Montana educational institutions. The top ten schools in Montana receiving MGSLP guaranteed loans were:

University of Montana	24.16%
Montana State University	22.72%
College of Great Falls	6.60%
Eastern Montana College	5.49%
Carroll College	5.03%
Northern Montana College	4.15%
May Technical College	2.98%
Rocky Mountain College	2.73%
Western Montana College	2.67%
Montana College of Mineral Science and Technology	2.24%

MGSLP had a fiscal year default rate of 2.96 percent in 1993.

The cumulative recovery rate on MGSLP's defaulted loan portfolio at the end of 1993 was 36.27 percent.

Because of budget constraints the Montana Guaranteed Student Loan Program is foregoing publishing an annual report for the 1993 fiscal year. We hope you will find this statistical information beneficial.

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